مكبرة من الأصل

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World Business Newspaper http://www.FT.com TUESDAY SEPTEMBER 3 1996

US seeks backing for tough action against Saddam

Arab leaders warned against western military action in Iraq as US officials toured the Middle East canvassing options for a tough response to President Saddam Hussein's intervention in the Kurdish "safe haven". In London, world oil prices rose to their highest since last April, while in Tokyo British foreign secretary Malcolm Rifkind hinted at concerted military action by the US and its former Gulf war allies. In late London oil trading, the price of the benchmark Brent Blend for delivery in October rose $1.22 to hit a high for the day of $22 a barrel, before closing at $21.99. Page 14 and Lex; Iraq sales delay lifts oil prices, Page 5; Editorial Comment, Page 13; Commodities, Page 24

Compromise likely in VW dispute

Both sides in the dispute over the payment of state aid to Volkswagen in eastern Germany appeared ready to compromise. German officials were in talks with competition commissioner Karel van Miert (left) while European Commission president Jacques Santer offered talks on establishing new guidelines on how the industries of the former East Germany could be subsidised. Page 14

Aid for German beef farmers: Germany's efforts to meet the criteria for the European single currency suffered a setback when the government extended a tax benefit for farmers hit by falls in beef prices. The measure will cost an extra DM300m ($203m) a year. Page 2

Rover chief warned on turnround: New Rover chief executive Walter Hasselkus was warned that it could take several years to turn round the lossmaking UK subsidiary of BMW. Page 15

Tax fears at Spanish tobacco group: Spain's state-controlled tobacco group Tabacalera said results in the second half may suffer as a result of higher cigarette taxes, after a 10.8 per cent increase in first-half consolidated net profits to Pta7.13bn ($57m). Page 15

Milosevic settles with Albanians: Serbian president Slobodan Milosevic reached agreement with ethnic Albanians in the Serbian province of Kosovo to end the six-year Albanian boycott of schools, officials said. Page 2

Italy's power sell-off delayed: Italy's public accounts watchdog said uncertainty over tariffs meant a delay in privatising ENEL, the state electricity corporation. An initial offering of shares is now ruled out until at least the end of the year. Page 15

AEA flotation costs to exceed £100m: Restructuring to make UK state-owned engineering and science group AEA Technology attractive to investors will have cost the government more than half the £200m ($312m) it hopes to raise from the company's flotation, a pathfinder prospectus shows. Page 7; Lex, Page 14

Business opposes Labour's trade plan: Britain's opposition Labour party is on a collision course with business organisations over its call for the introduction of a "social clause" in all international trade agreements. Page 8; Editorial Comment, Page 13

US aviation union urges block on BA: The largest US aviation workers' union, representing 110,000 workers, wrote to President Clinton urging him to block the planned alliance between American Airlines and British Airways. Page 3

Japan warns on Hong Kong's future: Japan warned that its companies, among the top investors in Hong Kong, might be reluctant to stay if the territory's free market system and rule of law are jeopardised after next June's handover to China. Page 4; Political contest hots up, Page 6

Lebanese elections bribe claim: Representatives of Rafik al Hariri, Lebanon's billionaire prime minister, were accused of bribing voters in parliamentary elections in Beirut in which he and his supporters won 14 of the 19 seats. Page 6

Row delays naming of Chile bank chief: Confirmation of a director of Chile's central bank has been delayed by a dispute between the government and opposition over the autonomy of bank directors. Page 5

Malta drugs route feared: Two large drugs seizures raised fears in Malta that the island is being targeted by smugglers as an alternative route from Asia into Europe. Page 2

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■ STOCK MARKET INDICES		
FT-SE 100:	3,904.4	(+16.8)
Yield	4.03	
FT-SE Eurotrack 100	1,640.34	(-1.63)
FT-SE-A All-Share	1,922.02	(+0.3%)
Nikkei	20,107.11	(-59.78)

■ LONDON MONEY		
3-mo Interbank	5¾%	(same)
Liffe long gilt fut:	Sep 107⅛	(Sep 107)

■ NORTH SEA OIL (Argus)		
Brent Dated	$22.14	(20.99)

■ GOLD		
London	$386.8	(391.3)

■ STERLING		
London:		
$	1.5595	(1.563)
DM	2.3188	(2.3098)
FFr	7.9297	(7.9027)
SFr	1.8898	(1.8715)
Y	170.243	(168.742)
£ Index	85.5	(85.3)

Tokyo close Y 108.88

The New York markets were closed yesterday

Albania	LEK 275	Gibraltar	20.75	Lithuania	Lts 10.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.20	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EK 30	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	Fmk15.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mainland)		Turkey	L120,000
Germany	DM4.00	Lebanon	L$3000		Esc265	UAE	Dh13.00

Fresh charges of BSE cover-up

Leaked letters add impetus to inquiry on Brussels' handling of mad cow disease

By Caroline Southey in Brussels

Fresh allegations have emerged that the European Commission tried to cover up the dangers of mad cow disease to public health in the early 1990s.

Leaked letters reveal that the top civil servant responsible for farm policy in Brussels sought to limit discussions about BSE, bovine spongiform encephalopathy or mad cow disease, in committees charged with managing public health and animal welfare.

The revelations in the letters, written in 1993 and published in the French newspaper *Libération* yesterday, will give extra impetus to a European parliament inquiry which opens today into earlier charges of a Brussels cover-up.

Last month a leaked internal Commission memorandum claimed that the European Union's standing veterinary committee concluded in 1990 that it was "necessary to minimise the BSE affair by using disinformation".

The Commission's defence is that its primary objective at the time was to prevent a collapse of the beef market which was heavily in surplus. Also, it stresses, there was no scientific evidence in the early 1990s that humans could contract the disease by eating beef.

But resignations are expected if the parliamentary probe uncovers evidence of "maladministration" by the Commission or national governments in dealing with the dangers posed by mad cow disease.

"If anybody is shown to have misled the public, national parliaments or the European parliament, their position will be untenable," Mr Philip Whitehead, an MEP serving on the inquiry committee, said.

The leaked letters implicate the Commission's top agricultural bureaucrat, Mr Guy Legras of France, who for 11 years has headed the agriculture department.

The Commission has not denied the authenticity of the letters.

The correspondence centres on a request from Mr Riccardo Perissich, then head of the Commission's single market division, for a joint investigation into the risks of a link between BSE and human brain disease. Mr Legras responded that in his experience "all discussions on BSE inevitably cause problems in the beef market".

"In order to keep the public at ease it is essential not to provoke a re-opening of the debate. If you can help me, we need to be prudent and avoid the discussion getting into the scientific committees," Mr Legras added.

Mr René Steichen, then agriculture commissioner, is quoted as warning that a "new public debate about the problem of BSE would be dangerous. Every new discussion has a dramatic effect on the consumption of meat in the whole of the EU".

The Commission said it would answer all questions posed by the inquiry, and pass on all requested documents. "We have nothing to hide. There was no cover-up," an official said.

This is only the second committee of inquiry set up by the parliament under new powers given to it under the Maastricht treaty.

Three Morgan Grenfell funds suspended

By Roger Taylor and John Gapper in London

Dealings in three UK-based investment funds that hold £1.4bn ($2.1bn) for 90,000 investors were suspended yesterday as regulators in London launched an inquiry into the handling of the funds by Morgan Grenfell, a subsidiary of Deutsche Bank.

Mr Peter Young, manager of the largest unit trust involved, was last night interviewed at the London office of his employer, Morgan Grenfell Asset Management, by investigators from the Investment Management Regulatory Organisation.

Mr Young, who formerly worked for Mercury Asset Management, took over as the Growth Fund's manager two years ago. He has since taken an aggressive investment strategy with big holdings in unlisted securities.

The investigation is potentially a serious upset for the UK unit trust market. Thousands of investors had been advised by brokers and fund managers to invest in the Morgan Grenfell funds because of their strong performance.

The investigation centres on the valuation of investments in unquoted continental European companies. They are thought to include a number of high-technology companies which had helped the funds to perform well.

The incident follows the levying of a £700,000 fine on four fund management companies in the Flemings group last week when one of the group's top fund managers in Hong Kong diverted a number of profitable trades to his own account.

The funds affected comprise two unit trusts – the Morgan *Grenfell European Growth* Fund, and the Morgan Grenfell Europa Fund – and a Dublin-registered investment fund, the Morgan Grenfell European Capital Growth Fund.

Morgan Grenfell said it had agreed with trustees of the funds to suspend dealing while

Continued on Page 14

Lufthansa is probed following overpricing allegations

By Wolfgang Münchau in Frankfurt

Germany's Federal Cartel Office has opened an inquiry into Lufthansa, the airline, for allegedly overcharging customers on the Frankfurt-Berlin route, one of the country's busiest.

The move threatens one of Lufthansa's most profitable routes where it has a virtual monopoly. Analysts estimate that a successful challenge by the cartel office could translate into a decline in net earnings of between 5 and 10 per cent.

The investigation was triggered by strong differences in the prices charged by Lufthansa for comparable routes. Lufthansa yesterday confirmed the investigation was taking place, but refused to comment any further.

Lufthansa has been facing intense competition on several domestic routes but its competitors have not been able to obtain slots at Frankfurt airport, continental Europe's busiest hub.

At Frankfurt, the airline operates 16 flights to Berlin daily. It charges DM800 ($540) for a return business class ticket from Frankfurt to Berlin. An economy class ticket costs DM680.

In Düsseldorf and Munich, where Lufthansa competes with Deutsche BA, a subsidiary of British Airways, prices are lower even though the distances to Berlin are similar. At either of these airports, a Lufthansa business class return ticket to Berlin costs DM640, while an economy ticket costs DM520.

The prices are similar to those charged by Deutsche BA on these routes.

Mr Jürgen Pieper, airline analyst at Deutsche Morgan Grenfell, said: "Lufthansa is facing tough competition on some of its domestic routes and appears to be compensating in Frankfurt. I am not sure whether the cartel office will prevail, but if it does it could affect Lufthansa's after-tax earnings by a noticeable margin."

A spokeswoman for the Federal *Cartel Office* in Berlin said the investigation was triggered by complaints from passengers. The investigation could last for several months and might force the airline to set a lower price. Lufthansa, however, could challenge such a ruling in court.

For Lufthansa, the cartel office investigation comes at a time of falling profit margins elsewhere. The company last week announced a 37 per cent drop in pre-tax profits for the first six months of the year, blaming price cuts from some of its rivals for the fall in margins and prices.

Ukrainians adopt new currency

An elderly woman holds her pension in hryvnas, Ukraine's new currency, at the central post office in Kiev. The hryvna went into circulation for the first time yesterday, replacing the karbovanets – Ukrainian for coupon – an interim currency introduced in 1992. Apart from some small-scale profiteering, yesterday's launch was relatively incident-free as Ukrainians queued outside banks to change their old coupons for *hryvnas. But prices in food markets across the country rose 10 per* cent in anticipation of the currency switch. Report, Page 14 Picture: AP

Philippines plans $2bn bond issue to reduce Brady debt

By Edward Luce in Manila and Conner Middelmann and Richard Lapper in London

The Philippines is to issue almost $2bn in eurobonds in exchange for Brady bond debt, issued nearly four years ago to replace distressed commercial bank loans.

The deal came as the Philippine government signed a peace agreement with Moslem guerrillas. It follows a similar transaction in Mexico earlier this year and reflects increasing confidence of international investors in debt issued by borrowers in the emerging markets of Latin America, Asia and eastern Europe.

Brady bonds are backed by US Treasury bonds, limiting investors' exposures to the risks of default. The new bonds are not backed by collateral and will give greater exposure to Philippine country risk. Bond holders accepting the exchange will benefit by obtaining a higher yield on their investments.

The attraction of the Philippines to investors was underlined this weekend by figures showing the country is on course to become the fastest growing economy in Asia – with gross national product rising by 7.1 per cent in the first six months of 1996 compared with 5.8 per cent in 1995.

Yesterday's agreement with the guerrillas and falling inflation – *which dropped into single figures* last month – should also buoy confidence in the deal.

Mr Roberto de Ocampo, Philippine secretary of state for *finance*, said the transaction would help shed the country's outdated image as a "rescheduling" country.

"All these initiatives distance us from the era of debt restructuring," he said.

The issue is expected to extend the maturities and reduce the cost of servicing its $40bn external debt. It follows the country's return to the Japanese bond market earlier this year when it retired expensive yen liabilities for cheaper yen-denominated debt. Debt servicing costs now stand at about 13 per cent of export revenues compared with 20 per cent in 1993.

End for Bradys ....Page 22

J.P. Morgan, the US bank which lead-managed the first eurobond issued by the Philippines since the debt crisis in 1993 (and arranged its first syndicated loan last year), will lead the deal. It said the transaction reflected the country's improved economic fundamentals. It added that the deal made "*credit enhancements* such as collateral less important in the eyes of investors".

It will also set a long-term benchmark against which Philippine government and private sector debt can be priced. Secondary prices of Philippine par bonds were yesterday trading marginally up on last week.

The new debt will be issued in the form of floating-rate notes with a 15-year maturity and 20-year fixed-rate bonds.

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Bonn plans may be hit by farm aid

By Michael Lindemann in Bonn

Germany's efforts to meet the criteria for a European single currency suffered a setback yesterday when Chancellor Helmut Kohl's cabinet decided to extend a tax benefit for farmers hit by lower beef prices – a measure that will cost the government another DM300m ($202m) a year.

The finance ministry took steps to ease fears that the concession may impair Germany's ability to meet one of the criteria – that the budget deficit should be no more than 3 per cent of gross domestic product. It said the extra DM300m would have to be found by making further savings within the existing 1997 budget.

But the retreat on the tax concession – which was to have been scrapped on January 1, 1997 – will cast doubt on the ability of Mr Theo Waigel, the finance minister, to keep his borrowing in 1997 to the DM56.5bn earmarked so far.

The doubts were underlined when the government admitted last week it would not be able to manage this year with borrowings of DM59.9bn.

Talks have begun between the finance and agriculture ministries to establish where further savings could be made but a final decision is not expected until early next year, officials said.

Others warned, meanwhile, that the sum might not be as high as DM300m, suggesting that the government has exaggerated the figure to please the noisy farming lobby. Farmers have been battered mainly by lower beef prices because of falling sales following increased concerns about bovine spongiform encephalopathy (BSE, or mad cow disease) in the UK.

To help lessen the impact of falling incomes for about 520,000 German farmers, Mr Kohl's cabinet decided to extend the tax concession – which effectively means some farmers do not have to pay value added tax – to January 1, 1999, when it will be scrapped as part of an overhaul of Germany's complicated tax system.

The decision to extend the concession was taken after a report on the state of German agriculture had been presented to cabinet, showing what the government described as "significant falls" in farmers' incomes following BSE worries.

Beef consumption in Germany is still about 20 per cent lower than it was in March, when BSE concerns grew. Milk prices have also been lower than expected, the agriculture ministry said.

The concession will in fact cost DM600m but the federal government will carry only half the burden, as VAT is split between Bonn and Germany's 16 states.

While Germany has a relatively large farm lobby, the agriculture ministry said fewer than 70,000 of the 520,000 farmers would be affected by the VAT concession.

Milosevic in accord to end Albanian boycott of schools

By Laura Silber in Belgrade

Presidant Slobodan Milosevic of Serbia has reached agreement with the leader of ethnic Albanians in the Serbian province of Kosovo to end the six-year Albanian boycott of schools, officials said yesterday.

Tha agreemant could enhance efforts by Serbia to end its isolation from the international community, the economic consequences of which have brought growing labour unrest.

A resolution of the standoff in Kosovo, whose 2m population is 90 per cent Albanian, is one of the pre-conditions for Serbia's full integration into the international community.

Some 150 have died in ethnic violence and Albanians have boycotted official Serbian institutions since 1989 when Mr Milosevic stripped Kosovo of its autonomy, imposing rule by Belgrade.

It could ease tensions in Kosovo where violent incidents between Serbian police and ethnic Albanians have increased sharply over the past few months.

Yesterday was the first day of school for six years in Serbia, but Albanian pupils did not attend official schools. Both sides, who have agreed to form a mixed commission, must still hammer out a curriculum.

If the agreement is fulfilled, about 300,000 children and 12,000 students will return to Kosovo's schools and universities. The boycott began in 1990, when the ethnic Albanians began attending underground schools.

"It is not thet Albanian education will move back to the Serbian school system but parallel Albanian education will move from private houses to schools," a Serbian government statement said.

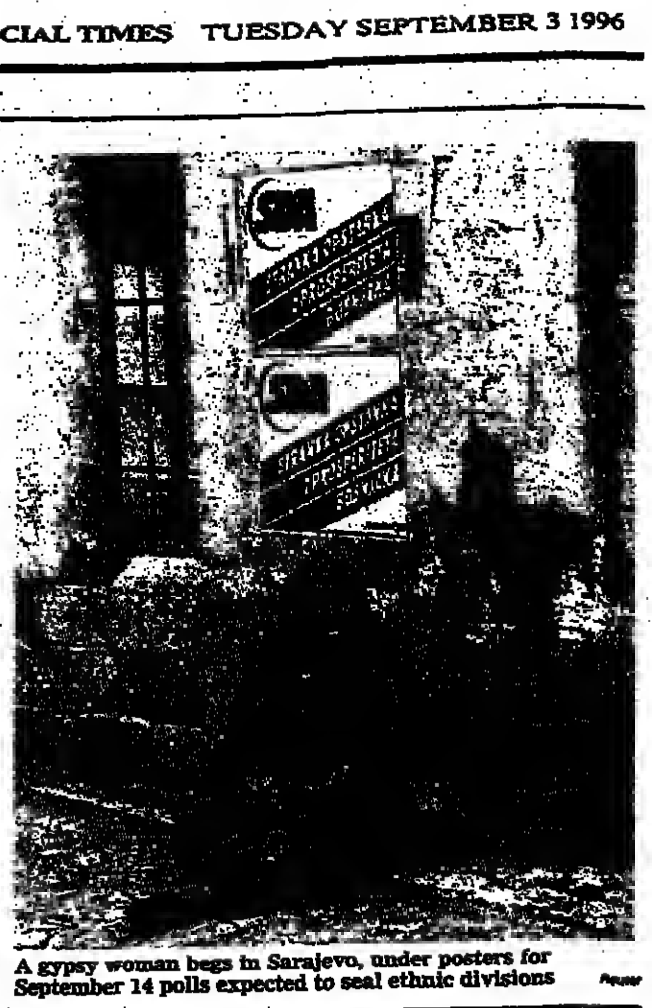
The deal was of considerable symbolic importance: the first time Mr Milosevic, formally recognised Mr Ibrahim Rugova as leader of Kosovo'e ethnic Albanians.

It comes as Yugoslavia, now made up of Serbia and Montenegro, is plagued by economic problems. With an end to the war in neighbouring Bosnia and suspension last November of UN sanctions after 42 months, Mr Milosevic no louger has a scapegoat to blame for the impoverishment of Yugoslavia's 10m inhabitants.

The average monthly wage is the equivalent of DM165 ($110). Pensions are paid at least two months late.

Anxious to gain access to international capital markets, Yugoslavia last week reversed its position and accepted membership conditions outlined by the International Monetary Fund. Orchestrated by Mr Milosevic, the Yugoslav government had refused to join the IMF unless it was named as the sole successor to the former communist federation of six republics.

The general manager of Yugoslavia'e biggest arms maker yesterday said he had resigned as a strike staged by workers demanding unpaid wages entered its third week. Colonel Vukasin Filipovic was replaced as head of the Zastava Arms plant, but union leaders said they would not negotiate until demands were met.



A gypsy woman begs in Sarajevo, under posters for September 14 polls expected to seal ethnic divisions Reuter

Russia's reformers hail poll victory

By John Thornhill in Moscow

Russia's reformist politicians yesterday hailed a convincing victory in the first of a series of important regional elections as a sign that the Communist tide was in retreat across the country.

Mr Dmitry Ayatskov, appointed head of the Saratov administration four months ago by President Boris Yeltsin, won almost 80 per cent of tha vote in Sunday's election. His chief Communist party challenger received just 16 per cent in a region traditionally viewed as part of the "red belt" of southern Russia.

Mr Anatoly Chubais, head of the presidential administration, yesterday welcomed the result, adding that the Communists bad been unable to field serious candidates in 26 of the 52 regions which will elect local leaders this year.

The string of regional elections is seen as an important means of eutranching democratic institutions.

Mr Ayatskov's victory underscores a trend in the electorate to support pragmatic administrators who concentrate on improving battered infrastructure. Mr Ayatskov, an economist with no affiliation, was projected by his campaign team as a man of "real integrity and strong hands".

President Yeltsin hailed the result as "proof that citizens expect deeds from their leaders to improve the social and economic situation in the regions".

In the presidential elections in July, Saratov's electorate backed Mr Gennady Zyuganov, the Communist party leader, giving him 49.4 per cent of the vote.

In Moscow, confusion still reigns over the Kremlin's attitude towards resolving the Chechen conflict following a meeting between Mr Alexander Lebed, national security adviser, and Mr Victor Chernomyrdin, the prime minister.

Mr Lebed's press service said the prime minister viewed a recently-signed peace agreement as a "success" although Mr Chernomyrdin's spokesman pointedly declined comment.

Mr Yeltsin is continuing to refuse to meet Mr Lebed.

Big drugs seizures fuel Maltese fears

By Godfrey Grima in Valletta and Jimmy Burns in London

Two large drugs seizures in Malta this year have raised fears that the island is being used by smugglers as an alternative route from Asia into the main markets of Europe.

Late last month, seven and a half tons of marijuana, bound for eastern Europe and with a street value of $7.8m, were seized by customs and police at the sprawling duty-free container port on the island'e south coast.

In March, the authorities seized containers carrying 1,000 litres of chemicals used in the production of Ecstasy tablets – a serious blow, claim police, to a narcotics group operating from India, Panama, Belgium and Croatia.

Both seizures involved co-operation between local police and international law enforcement agencies, and come at a time when attempts to use the island for arms smuggling have been reported.

Maltese Police Commissioner George Grech warned would-be smugglers against considering the island as a conduit for drugs. "This is no push-over, isolated country," he said. "Anyone who tries it had batter have money to burn."

However, the country also has its own drugs problem. Mr Grech said controlling the relatively small consignments feeding the local market was difficult.

Senior customs investigators in London are playing down any suggestions that Malte was was being used for drugs smuggling on a large scale. According to a UK customs intelligence assessment, the Balkans and eastern Europe remain the main route for drugs from Asia into Europe. The main concern among those fighting smuggling centres on routes though Ukraine, Greece, and Italy.

"We've had no indications that Malta is becoming a major route. It is an island and that makes it easier to control smuggling than on the mainland," one senior UK investigator said last night.

Interpol, the international police organisation exchanges more than 12,000 messages a year with the Malta police, mostly concerned with the movement of criminals and terrorists. "We have reviewed our role significantly in recent years; drugs are now a priority. Physical controls have been replaced by more sophisticated procedures," said a senior Maltese official.

However, Mr Marin Hili, the Freeport Corporation chairman, said: "No container reaching its destination after coming through Malta was ever found to contain illegal cargoes. Freeports can do little to limit smuggling beyond extending their full co-operation to customs and the police."

The Maltese government is anxious to maintain a high profile in vigilance against international crime and terrorism as it lobbies for membership of the European Union. Ministers claim that this detarmination so angered drugs interests that they planned to assassinate Mr Eddie Fenech Adami, the prime minister. They maintain that the attempt failed because the gunman got cold feet.

Ruling party in Romania ditches partner

By Virginia Marsh

Romania's ruling Party of Social Democracy (PDSR) yesterday attempted to position itself on the political centre ground ahead of November's elections by ditching the last of tha extremist parties that have kept its minority government in power since 1992.

The party said it had been obliged to act after officials of the Romanian Nationalist Unity party (PUNR), its junior coalition partner, failed to distance themselves from comments by Mr Gheorghe Funar, the PUNR president, attacking the government and Mr Ion Iliescu, Romania's president, for agreeing a treaty with Hungary. Mr Funar, a fiery nationalist whose anti-Hungarian stand has attracted international criticism, has termed the treaty, due to be signed this month, "an act of treason" and demanded Mr Iliescu be impeached for allowing it.

PUNR officially joined the government in August 1994 when the party, whose political base is in Transylvania, Romania's ethnically-mixed western province, was awarded two cabinet posts. It later emerged that two other ministers, described as "independente" when appointed the previous March, were PUNR members.

One of these, Mr Aurel Novac, transport minister and a PUNR vice-president, yesterday announced he was resigning from the party, although another indicated he agreed with Mr Funar. The position of the two other ministers was not clear.

The move follows the rupturing of relations between the PDSR, the core of the group of former communists that has held power since 1989, and two other extremist parties – one openly anti-semitic – earlier this year. The inclusion of those two parties and the PUNR in the governing alliance was heavily criticised both at home and abroad.

Analysts had long expected the coalition to fall apart. The PUNR's popularity has fallen sharply since the last general elections – recent polls suggest it will win just 4-5 per cent of the vote compared with 10 per cent in 1992 – while Mr Iliescu, who is bidding for a third term as president, has urged the PDSR to clean up its image.

The president is again running on the PDSR ticket and his personal popularity will boost the party's chances in the parliamentary polls. However, following the strong performance of centrist opposition groups in June's local elections, Mr Iliescu has begun to distance himself from the party whose government many Romanians consider corrupt and mediocre.

French homeless feel pinch of competition

By Andrew Jack in Paris

French homeless people trying to earn some money by selling magazines are being caught in a pincer movement as competition in the sector increases and the Paris Metro becomes a less welcoming outlet.

France now has half a dozen competing "street newspapers" – of highly variable quality and motives – sold by end for several hundred homeless people across the country.

At the same time, organisations for the homeless claim that RATP, the Paris public transport authority, has been clamping down on the sale of the newspapers in its buses and trains.

RATP says it does not stop people selling papers but will act against disorderly conduct.

It says there has been a sharp rise in recent months in complaints from passengers that they were being harassed by vendors.

An RATP anti-fraud campaign means there are more inspectors in the subway system and on the buses, who can respond quickly to any complaints by passengers.

Mr Marc Lainé, editor of La Rue, which lets its dozens of homeless vendors keep just over half its cover price and helps them with employment documentation, accommodation and flat-hunting, says he is considering legal action to stop RATP agents preventing the sale of his publication in the Metro.

Critics say a number of the newspapers sold by the homeless are of low quality, do little to help them find a way out of their situation, and even employ students and foreigners who pay no taxes and do not have work permits rather than aiding those who most need help.

> France now has half a dozen competing street newspapers

In June the town of Menton in the south explicitly banned the sale of newspapers by vendors in the street, claiming that the action was tantamount to begging.

A growing number of towns in tourist resorts have this year relaunched the controversial policy of banning begging to clamp down on the homeless – often with dogs – gathering in town centres.

The southern coastal city of Nice, which is controlled by a centre-right politician who was formerly a member of the extreme rightwing National Front, has even taken to [illegible] the homeless to [illegible] and transported [illegible] reception centre several kilometres outside its boundaries.

EUROPEAN NEWS DIGEST

Airlines warn of overcapacity

European airlines' worldwide scheduled passenger traffic rose 4.8 per cent in July from a year earlier, to 38.9bn revenue passenger km. This compares with an average of 8 per cent in the first six months of the year.

"The July results are a clear indicator that overcapacity is back with us. At the time of year when passenger demand is greatest, we should not be seeing so many empty seats," said Mr Karl-Heinz Neumeister, secretary general of the Association of European Airlines. "The problem is not the prices. There are plenty of low fares in the market, but the market seems not to be responding as expected."

Load factor fell 1.5 percentage points in July to 74.6 per cent, with Europe down 1.8 points to 64.8 per cent, and North Atlantic down 1.6 points to 83.4, the association said. Freight traffic was up 3.2 per cent to 1.95bn revenue tonne kilometres on July last year. *AFX, Brussels*

Italy's trade in surplus

Italy had a trade surplus of L24,000bn ($19bn) in the first six months, the foreign exchange office said yesterday using estimates from bank returns and excluding transactions below L20m. Export receipts were L163,098bn while payments for imports were L149,484bn giving a surplus of L13,614bn, compared with L7,440bn in the same period of last year.

Mechanical engineering and textiles, leather and clothing continue to be the main surplus sectors, and energy and chemicals the principal sources of deficit. Payments for imports rose by only 0.9 per cent in the first half of the year, while receipts from exports increased by 4.8 per cent.

Last year Italy had a surplus of L44,365bn. Half-year figures due from Istat, the national statistics institute, on Friday are expected to show that a surplus of L50,000bn for this year should be exceeded easily. *David Lane, Rome*

German phone costs to fall

The cost of telephone calls in Germany will fall by about 6 per cent on January 1, 2000, the latest of several tariff changes designed to force down prices, the post and telecoms ministry said yesterday.

Several tariffs were reduced earlier this year and are due to fall by a further 4.5 per cent in real terms on January 1, 1998, when most of the European Union's telecoms markets will open to full competition.

The reductions planned for 2000 (whose real effect will depend on inflation at the time) will take the form of a price cap which means that all tariffs across the board must be reduced. Tariffs will still have to be agreed by the new regulatory authority. *Michael Lindemann, Bonn*

Belgium liberalises telecoms

The Belgian government has approved decrees to liberalise alternative telecommunications infrastructure, such as networks run by railways and utilities, and to provide a licensing framework with the country's telecoms regulator.

The telecoms minister, Mr Elio Di Rupo, also announced legislation setting out universal service obligations for Belgian operators in the European Union's fully liberalised telecommunications market due on January, 1, 1998. *AFX, Brussels*

Rail strike in Portugal

Portuguese international and inter-city trains were halted for a fourth day yesterday by a strike by some 1,500 drivers pressing for improved career structures, a nine-hour limit to the working day and longer rest periods between trains. The railway company, Caminhos de Ferros Portugueses, was using buses to take Paris-bound travellers to the Spanish border. Passengers for Madrid were being taken all the way by coach.

The stoppage is also disrupting supplies of coal for power generation and of car parts to the Ford-Volkswagen plant, Portugal's biggest foreign investment project, at Palmela, 18 miles south of Lisbon. *Reuter, Lisbon*

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Some breaks are seen in the cloud over France

A mood of despondency has settled over France since the summer holidays ended about a week ago. There are fears that the autumn will see a repeat of the crippling public sector strikes that brought the country to a standstill in November and December last year.

A great deal hangs on whether the fears are justified. Another widespread and prolonged stoppage could cost Mr Alain Juppé his job as prime minister. It could also jeopardise government hopes of generating the improved economic growth needed for France to participate from the outset in European economic and monetary union.

Last year's crisis resulted in a 0.4 per cent decline in gross domestic product in the final three months of 1995. The economy picked up strongly in the following quarter, suggesting that people may simply have postponed purchases rather than abandoning them altogether. However, preliminary second-quarter GDP figures, due tomorrow, are expected to show near zero growth.

The figures are likely to increase the national despondency, entrenched by media reports which tend to give the impression that a repeat of the 1995 crisis is extremely likely.

Leaders of the main trade unions have been jostling for prominence in the highbrow press, with strongly-worded attacks on the government and hints of militant action. Opinion polls have made it clear that most of the population is braced for trouble.

On Sunday, after a long period out of the limelight, Mr Lionel Jospin, the Socialist leaderm, accused the government of a "patent economic and social failure" and warned that "anxiety and anger" were coming to the fore.

Some unrest appears inevitable. The unemployment rate, at 12.5 per cent, is one of the highest in the European Union. Industrial action is likely in the education, defence and financial services sectors among others, in most cases in response to threatened job cuts. Mr Marc Blondel's powerful Force Ouvrière union has called a protest march for September 21.

The autumn will almost certainly bring colourful, headline-grabbing demonstrations. Last week, for instance, farmers grazed their cattle in the shadow of the Eiffel tower in protest at the collapse of beef prices because of "mad cow" disease scares.

Nevertheless, there are grounds for the belief that, unless there is a marked turn for the worse, this year's protests will not have such devastating effects as last year's.

First, the areas where the worst problems are expected do not, by and large, include the big public enterprises whose unions have the power to bring the country to its knees. Last year's strikes included an almost three-week shutdown of SNCF, the state railway company, where the main issue, over pensions, has since been resolved.

In the words of Mr Patrick Artus, chief economist at Caisse des Dépôts et Consignations, a state-controlled financial institution: "The civil servants have never managed to set the country on fire."

Second, the unions still appear divided. Mr Louis Viannet, secretary-general of the Communist-linked Confédération Générale du Travail, for example, has been particularly critical of the government but recently stopped short of indicating that the CGT would join Force Ouvrière's planned protest.

Third, in at least one important recent dispute – over the change in France Télécom's legal status in preparation for partial privatisation next year – the unions' bark turned out to be considerably worse than their bite.

Mr Dominique Moïsi, deputy director of the Institut Français des Relations Internationales, even suggests that the fact that so many people expect a repeat of 1995 could perversely be interpreted as a sign that a new crisis is unlikely.

"It is a French tradition that the most severe social upsurge – such as May 1968, autumn 1995 – comes by surprise," he says.

He also makes the point that last year's strikes were "very painful" for those who took part in them, as well as for those affected.

In spite of such reasons for optimism, most accept that the mood in the country is such that it would take comparatively little to tilt the balance in favour of another crisis.

There is no shortage of issues over which sparks might fly: another upsurge in the rate of unemployment; disappointment with Mr Juppé's promised tax cuts, expected to be outlined later this month; or a hostile reaction to whatever steps the government takes to address the social security deficit, which may exceed FFr50bn ($10bn) this year.

While there are grounds to hope that the government may be able to pursue its quest for the holy grail of the Maastricht convergence criteria without triggering another crisis, it is clear it has perilously little room for manoeuvre.

David Owen

Chile bank posting held up by party row

By Elizabeth Love in Santiago

Confirmation of a director of Chile's central bank has been held up by a dispute between the government and opposition over the autonomy of bank directors.

President Eduardo Frei chose Mr Carlos Massad, a former health minister, to be a director of the central bank in July following the resignation of Mr Roberto Zahler, the bank president. Mr Massad, a member of the ruling Christian Democratic party, is an experienced economist who served as president of the Central Bank during 1964-1970, and had been considered e strong candidate for post again.

Last week senators from the centre right National Renovation party joined other rightwingers to defeat Mr Massad's candidacy by 21 to 20 votes.

They argued that four of the five bank directors were linked to the ruling government coalition and Mr Massad's confirmation might threaten the autonomous nature of the institution.

Opposition senators said it was not Mr Massad himself they objected to but rather the government's lack of consultation with members of other parties on alternative candidates.

When Mr Frei resubmitted Mr Massad's candidacy, the request was successfully detoured by opposition senators to the Senate's Constitution, Legislation and Justice Commission. The commission is charged with deciding the legality of proposing the same candidate after an initial rejection.

Until now, the nomination of directors to the central bank proceeded fairly smoothly and the institution is well-known for its objectivity in making financial decisions.

Observers fear the latest dispute might pave the way for a more political way of handling macro-economic matters.

Peru's power-link keeps to shadows

Sally Bowen on the military and intelligence services and fears of drug corruption

A combination of events in Peru over the past *fortnight* has revived suspicions about the relationship of the military and intelligence services to tha civilian government and the corrupting influence of the still-flourishing narcotics trade.

In an increasingly macabre series of courtroom appearances, the self-confessed cocaine baron Mr Demetrio Chavez Peñaherrere – better known as "Vaticano" – alleged he paid chief presidential adviser Mr Vladimiro Montesinos $50,000 a month throughout 1991 in return for army protection to run cocaine out of his illicit airstrip in Peru's Huallaga valley drugs heartland.

Fujimori: defends Montesino

Following a weekend in which Peru's highest-ranking military, police and government officials leapt to Mr Montesinos' defence, rejecting the allegations as absurd and unworthy of investigation, a confused and stammering Vaticano retracted.

Simultaneously, a surprise draft law was laid before congress "interpreting" the 1993 constitution so as to permit President Fujimori – already in office since 1990 and heving changed the constitution to allow him a second term – to run for a third five-year term in the year 2000.

For some observers this again raised the spectre of the "Green Book": a civilian-military pact to rule Peru for a full 15 to 20 years. The so-called "national project" was hatched by the top military in the late-1980s from a conviction that political parties were incapabls of governing in the best interests of the nation. At that time, after a decade of democratic rule, inflation had spiralled out of control, Peru had been cut off from all international sources of financing, the economy was becoming heavily cocaine-dependent and the Sendero Luminoso guerrilla movement controlled large swathes of the country.

Last week retired General Salinas Sedo – who was jailed for plotting a coup in November 1992 after Mr Fujimori had suspended the constitution – reminded Peruvians of the "Green Book" plan. He claims to have been offered the job of defence minister in 1991, "but it involved staying in power for 20 years". He declined.

The long-term cabinet post offer, says Gen Salinas, came directly from Mr Vladimiro Montesinos, the same close adviser so publicly accused by Vaticano.

Mr Montesinos is increasingly seen as the greatest remaining enigma – some say stigma – in a country which has, by and large, pulled itself up by the bootstraps to earn international respectability. He is the effective – though not the titular – head of the national intelligence service (SIN, in its ironic Spanish initials), which is a much more professional and wsll funded organisation since Mr Fujimori came to power.

Mr Montesinos nevsr appears in public: his name features on no official payroll. Only a handful of photos of him exist. Though he is constantly on call in the government palace, none of President Fujimori's cabinet ministers admits to seeing, let alone knowing him.

When pressed to define Mr Montesinos' role, President Fujimori tends to react with irritation. At first, he described Mr Montesinos as his personal lawyer. More recently President Fujimori has been obliged to admit that his "lawyer" is e senior intelligence official whom he calls the architect of the "victory" over Sendero Luminoso.

Mr Montesinos' known links with the CIA date from 1976 when, as an army captain, he was charged with passing confidential information to the Americans (Peru's then ruling military junta was pro-Russian) and cashiered.

After a year in prison, the disgraced army captain-turned-lewyer made his living defending drugs traffickers. In 1989, he joined the SIN and disappeared from public view. Control of information (he is said to hold incriminating files on all Peru's powerbrokers) became Mr Montesinos' chief source of influence.

It seems Mr Montesinos first met Mr Fujimori during the 1990 presidential campaign, winning the future head of state's gratitude for helping him quash tax evasion allegations. He soon became the trusted link-man between Mr Fujimori and the armed forces and is credited with controlling promotions.

Over the years, Mr Montesinos' notorious non-accountability has run parallel to the continuing impunity enjoyed by Peru's armed forces in the areas of human rights violations and drugs-trafficking.

The precise nature of the triangular relationship between Peru's executive branch, the still-powerful military and tha much-strengthened SIN is hard to fathom.

At the very least, it seems certain that an official blind eye has been turned for some years to involvement at many levels with the cocaine trafficking business while the fight against terrorism took precedence. Peru still supplies the raw material for 60 per cent of the world's cocaine and most of it is produced in areas of Peru which, because of subversion, have been and still are directly under army control.

In a Sunday night television interview, President Fujimori reiterated his emphatic support and admiration for both General Hermoza Rios, head of the armed forces and for Mr Montesinos. He refused, he said, "to permit drugs trafficking to infiltrate the Peruvian state".

Many Peruvians are, however, increasingly convinced that the infiltration has already happened.

END OF ERA AS COLOMBIA DRUG BARON SURRENDERS

The last of the seven most wanted leaders of Colombia's Cali drugs cartel has surrendered to police after e 16-month manhunt, Timothy Ross reports from Bogotá. Mr Helmer "Pacho" Herrera, a master of disguises who bad escaped more than 400 raids on his hiding places since the middle of last year, is pictured (right) arriving to give himself up et a church near Cali. He arranged his surrender through his lawyers to the National Police commander, General Rosso Serrano.

Mr Herrera, 44, is believed to be number three in the hierarchy of the cartel, and faces charges of cocaine trafficking and money laundering, as well as investigations for alleged involvement in several murders. His extradition has been sought by the US, where he has a long criminal record. Over 20 years of involvement in drugs is reported to have given him e fortune of about $3bn.

Gen Serrano said the surrender marked "the end of the life cycle of the Cali cartel" and President Ernesto Samper called Mr Herrera "the last of the cartel leaders". The other six leaders have all been captured or killed this year. US narcotics experts, however, say that the amounts of cocaine and heroin produced in Colombia are still growing and that the most visible crime leaders are already being replaced by less ostentatious traffickers.

Picture by Reuter

AMERICAN NEWS DIGEST

Clinton urged to stop air deal

The largest US aviation workers' union has written to President Bill Clinton urging him to block the planned alliance between American Airlines and British Airways.

The International Association of Machinists and Aerospace Workers, representing 110,000 mechanics, flight ettendants and clerical workers, said the alliance "will effectively destroy competition for crucially important transatlantic business and, as a result, we believe it will be our members who will suffer".

American and BA announced in June they planned to co-ordinate schedules and share revenues from transatlantic flights. The union said: "The alliance is, in fact, a monopolistic merger by another name." It said the alliance would link the two biggest airlines flying on the UK-US routes.

"We know this Administration cares about jobs," it added. "Approval of this merger will put thousands of US jobs that pay a living wage in jeopardy. While we have heard much about international trade, open skies negotiations and corporate competitiveness, the impact on our citizens should be given priority." *Michael Skapinker, Aerospace Correspondent*

Court takes Quebec role

A Quebec City lawyer, Mr Guy Bertrand, has won court approval to press ahead with his challenge to the separatist government of Quebec's threat to declare independence unilaterally. Mr Justice Robert Pidgeon of a Quebec Superior Court ruled there was oo clear evidence the courts must be silent in political debates and Mr Bertrand could proceed with his action.

The judgment was immediately welcomed by Mr Allan Rock, federal justice minister. "The ruling establishes for the first time the principle that the courts must have a say in the sovereignty process," he said. No secession is possible without formal amendment of the Canadian constitution, requiring assent from Ottawa and the other nine provinces, he added. But Mr Paul Begin, Quebec justice minister, reiterated the position of the ruling separatist Parti Québécois government. "The ruling is far from rejecting that only Quebeckers themselves have the right to decide their future," he said.

Mr Bertrand began his fight against the PQ's strategy for a unilateral declaration of independence after last year's Quebec referendum. He argues that such a declaration would deprive him of his constitutional rights. *Robert Gibbens, Montreal*

Hopes for Ecuador-Peru talks

President Alberto Fujimori of Peru will meet his new Ecuadorean counterpart, Mr Abdala Bucaram, today for the first time and diplomats will be watching closely for signs of e rapprochement following a border conflict in February 1995 that left dozens dead on either side.

The disputed area in the remote, high jungle frontier known as the Cordillera del Condor is now a demilitarised zone monitored by e mission of military observers from the US, Brazil, Chile and Argentina. Partly because of the change of government in Ecuador, little progress has so far been made in finding e lasting solution.

The informal meeting, during the four-day Rio Group summit in the Bolivian city of Cochabamba, is unlikely to produce any immediately tangible advance in bilateral relations. Both heads of state must appease their influential armed forces. *Sally Bowen, Lima*

THE FARNBOROUGH AIR SHOW

Boeing warns on super jumbo costs

By Michael Skapinker in Farnborough

Boeing of the US said yesterday the cost of developing a 550-seat "super jumbo" would be more than twice as much as analysts' estimates and claimed it would be "financial suicide" for Airbus Industrie, the European manufacturing consortium, to build a competing aircraft.

Mr Ron Woodard, president of Boeing's commercial aircraft division, said his company would spend $5bn building both a 550-seat 747-600X and the long range 460 passenger 747-500X.

Analysts had put the cost of developing the aircraft at $2bn. This is because it will use the technology of existing Boeing aircraft, the Boeing 747-400 and the Boeing 777.

Mr Woodard dismissed Airbus's claim that it could build its planned 550-seater, the A3XX, for $8bn or less. He said that when Boeing and Airbus together investigated the building of a large aircraft last year, they found that the cost would have been between $12bn and $15bn.

Mr Woodard alleged Airbus had also vastly over-estimated the size of the market for aircraft of more than 500 seats. Airbus said 1,400 large aircraft could be sold by 2014. Mr Woodard said the true figure was likely to be fewer than 500.

He said: "It is hard to imagine that Airbus can do a totally new airplane for an $8bn investment. In fact any realistic estimate would be substantially higher, particularly when they include all new tooling, new facilities, inventory and other requirements.

"So that might be why they feel compelled to forecast nearly 1,400 airplanes to justify the investment in an A3XX. And that is also why European taxpayers, their governments and any potential investors could benefit from a closer look at these market projections."

Rivals yesterday, however, expressed doubts over whether Boeing's own 550-seaters, which would sell for $200m each, would ever be produced. Boeing failed to announce any launch customers for its 747-500 or 747-600s. Lufthansa of Germany, one of the airlines Boeing has been talking to, yesterday ruled itself out as a customer. Lufthansa said one of the difficulties with the super jumbo would be finding airports large enough to cope with them.

Mr Harry Stonecipher, chief executive of McDonnell Douglas of the US, the world's third largest civil aircraft maker after Boeing and Airbus, doubted whether any super jumbos would be produced. He said that while airlines such as British Airways and Singapore Airlines were interested in buying them, the numbers required would not be large enough to justify the sums needed to develop them.

Mr David Venz of Airbus said the European consortium, which is owned by Aérospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain, stood by its projections of the size of the markets.

He said: "The small number bet that Boeing is using is a self-serving proposition to support its case that there is only room for one aircraft."

A model of the planned Airbus 3XX: Boeing says it would be 'financial suicide'

US group reinforces lead over rival Airbus

By Michael Skapinker

Boeing of the US yesterday announced it had orders for 68 aircraft from eight airlines, worth $6.3bn in total, including one for 10 aircraft from British Airways.

The announcement provided a substantial boost to Boeing, the world's largest aircraft manufacturer, on the opening day of the Farnborough Airshow. Boeing is determined to outsell Airbus Industrie, its European rival, by at least 2-1.

Boeing said BA had ordered four 747-400s, three 777-200s and three 757-200s. BA has also moved forward the delivery date on an additional 10 747-400s, which it had already ordered. BA is one of Boeing's most important customers and is talking to the US manufacturer about the possible purchase of its planned 550-seat Boeing 747-600X. But it has yet to announce any orders for the aircraft.

Boeing said ILFC, the Los Angeles-based leasing company, had ordered 15 new aircraft. The order is for five 757s, five 767s, five 737s.

Ansett Worldwide, the Australian-based leasing company, ordered 16 737s and nine 767s.

Other customers which placed orders with Boeing were Airtours, the UK tour operator, Air Berlin, Lot Polish Airlines, and Maersk Air of Denmark.

Boeing said that Condor, the German holiday airline, had ordered up to 24 of its new twin jets, the 757-300. Condor, which is the first customer for the 757-300, has placed 12 firm orders for the aircraft, with a value of $875m. It has placed options on a further 12.

The Boeing 757-300 carries about 250 passengers, about 20 per cent more than the Boeing 757-200. Boeing will begin delivering the 757-300s to Condor in 1999.

When the tortuous negotiations over the North American Free Trade Agreement were being fought out, opponents of the trade pact in the US Congress who feared the effects of cheap Mexican labour and lax pollution laws were placated with two "side agreements". Although these pacts have limited powers, Mexican workers denied union rights are resorting to US courts and studies are under way on cross-border air pollution. FT correspondents assess the agreements' track record.

Mexican job laws under spotlight

Side pact may lack teeth but it has given labour practices an airing before the media

Sixteen months after the North American Free Trade Agreement came into effect, 250 Mexicans, mostly women, were attacked by police during a union sitdown demonstration. Suppression of independent union activity is not rare in Mexico, but in this case the Sony workers believed they had a legitimate cause for appeal.

Eight months later, piling into cars in Nuevo Laredo, they drove over the border to a hearing in San Antonio, Texas, to tell their story. Their appeal was directed to the US National Administrative Office (NAO), set up in compliance with a labour "side pact" of Nafta. The pact provides for monitoring labour issues in North America and permits filing of complaints with each country about the non-enforcement of labour laws.

In San Antonio workers took the stand to describe how the government-controlled Confederation of Mexican Workers had denied them the right to form an independent union.

At one point the government union called an election at midnight for the next morning. According to testimony, it was held on a football field where workers were told to go to one side or another to vote for the official or independent candidates. Company representatives stood by filming the vote with camcorders.

"We were deceived. We were insulted, threatened," one worker testified. "Is this the kind of treatment you should give a humble but honest worker? Can a worker work like this, with pressures like this?"

This was the third case to come before one of the three NAOs established in each Nafta country, and it was the first to prod the US to react. The US NAO found there had been election irregularities and that the workers had been denied the right to form a union. It held consultations with Mexican labour officials, who in turn promised to explain the legal remedies available to the workers under Mexican law.

The Sony workers still have not managed to organise an independent union.

The side pact, proposed by President Bill Clinton when he was running for president in 1992, was promised as a sop to the unions, which opposed Nafta. The pact was supposed to insure against mistreatment of Mexican workers by giant US companies, which move production south of the border. However, President Carlos Salinas of Mexico, under pressure from US companies, refused to agree to anything with substantial enforcement authority.

The final deal provides little protection for workers in any of the three nations. Even if cases brought by US, Canada or Mexico are found to be legitimate, punishment is rarely imposed. Fines of up to $20m can be levied against any country which fails to enforce child labour, minimum wage or health and safety laws.

However, any money collected is then returned to the government in question to assist it in its enforcement of labour law. There is no provision to force a country to implement laws protecting freedom to organise and bargain collectively.

Apart from the Sony case, four others have been filed – so far characterised by company representatives who send written statements instead of attending. However the hearings have at least given Mexican labour practices an airing before the international media.

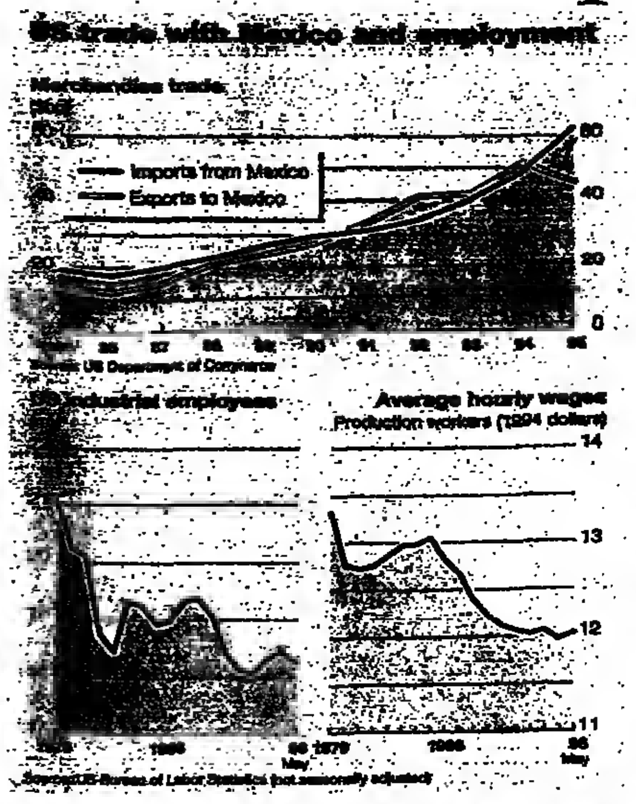
The first two cases were brought by the Teamsters against Honeywell, and by the United Electric Workers against General Electric. The NAO in Washington dismissed both complaints.

The most recent complaints were brought in Mexico by the Union of Telephone Workers against Sprint Corporation and by two US-based human rights organisations and the Mexican National Association of Democratic Lawyers on behalf of federal government workers in Mexico.

Almost three years into the agreement, the office of the US trade representative, which negotiated the pact, claim it as "a success". US labour lawyers, however, are mostly frustrated.

Mr Mark Anderson of the AFL-CIO says the side pact has a saving grace in that "it represents the first time that labour rights and standards have been associated with a commercial agreement, and from that point of view it is a step forward".

Nancy Dunne



Making the most of moral power

Environment body is concentrating on averting disputes rather than resolving them

North America's political landscape has changed markedly since trade negotiators from the US, Canada and Mexico hammered out the North American Agreement on Environmental Co-operation in 1993.

At that time, the US Congress made the environment pact and a companion "side-accord" on labour standards a condition for ratification of the North American Free Trade Agreement (Nafta).

But control of Congress has since passed from Democrats to Republicans, with a conservative agenda far less friendly to the environmental cause.

Canada's ruling Liberal party has also shifted to the right, and Mexico has been preoccupied with domestic economic problems.

The trilateral Commission for Environmental Co-operation (CEC), the Montreal-based body charged with implementing the side-accord, has had its wings clipped by shifting political priorities, including the tighter fiscal discipline that now prevails in all three countries.

Nonetheless, Mr Victor Lichtinger, CEC's Mexican executive director, says: "We're beginning to demonstrate that it has very concrete benefits."

His view is borne out by environmental groups, which give the CEC credit for making the best of its limited powers and resources. "They have a fairly high level of credibility among NGOs," says Mr David Hunter, vice-president of the Centre for International Environmental Law in Washington DC.

Nafta environment ministers took a step forward at their annual meeting in Toronto last month hy approving the first study under Article 14 of the side-accord. Under this the CEC can investigate complaints against a Nafta government for "failing to effectively enforce" domestic environmental laws.

The study stems from protests by Mexican environmental groups against the construction of a 300-metre cruise ship terminal at Cozumel, a resort on the Yucatan Peninsula. The groups allege the pier will severely damage rich coral reefs.

But the CEC's bite is weak, and even its bark is muzzled. Reports compiled under Article 14 cannot take sides or make recommendations.

The accord's dispute settlement procedures are limited to complaints brought by one government against another – unlike the main Nafta agreement which has been used to adjudicate in about 80 trade disputes, mostly brought by the private sector.

Even then, the process is so tortuous that the likelihood of any sanctions being imposed on a government is small.

The CEC, aware of its limitations, has so far devoted only about a quarter of its resources to dispute resolution. The bulk is being channelled into research projects chosen with an eye to averting rather than adjudicating in disputes.

Mr Gustavo Alanis Ortega, director-general of the Centro Mexicano de Derecho Ambiental in Mexico City, one of the groups that brought the Cozumel terminal to the CEC's attention, compares the commission to a human rights tribunal. "They have a moral power to make things public and to get governments to do things according to the law."

The CEC can wield this moral authority most effectively under Article 13 of the side-accord, which gives it a measure of latitude to initiate reports and recommendations.

One Article 13 report has been completed so far. A nine-member trilateral panel studied the deaths from suspected botulism of up to 40,000 ducks at a reservoir in the central Mexican state of Guanajuato in 1995.

Work has just started on a more ambitious project covering cross-border air pollution.

The CEC is also in the early stages of what is likely to be a lengthy and politically charged examination of the environmental impacts of trade and investment flows between the US, Mexico and Canada since Nafta took effect in January 1994.

Bernard Simon

Japan warns on Hong Kong investments

By William Dawkins in Tokyo

Japan has warned that its companies, among the top investors in Hong Kong, might be reluctant to stay there if Hong Kong's free market system and rule of law is jeopardised after next June's handover to China.

Mr Yukihiko Ikeda, the Japanese foreign minister on a visit to Hong Kong last week, made public tha Tokyo government's anxieties about the future of Japanese interests in Hong Kong.

Yesterday Britain's foreign secretary sought to calm Japanese fears. Mr Malcolm Rifkind, on a visit to Tokyo, promised that ties between the UK and Hong Kong would remain strong and expressed "a considerable degree of optimism" over the colony's future.

Mr Ikeda, according to Japanese foreign ministry officials, told Mrs Anson Chan, Hong Kong's chief secretary, of "great concern" over whether the territory could play the same financial and trading role after it was returned to China. He called for the maintenance of a free market capitalist economy and legal system and hoped that the Chinese policy of "one country, two systems" could be carried out. Japanese companies would stay there if the system was kept intact.

Japan has substantial interests in Hong Kong, used by its general trading and manufacturing companies as a staging post and assembly base for exports to the fast-developing regions of southern China and elsewhere in east Asia.

Ikeda: great concern

By the end of 1994, total Japanese manufacturing investment in the colony had reached US$12.75bn, up 30 per cent since the turn of the decade, making Japan the second largest investor in Hong Kong after China, according to the Tokyo finance ministry.

At the same time, Hong Kong contains almost 20 per cent of all Japanese manufacturing investment in Asia, the second largest Japanese investment destination in the region after Indonesia. In terms of the annual flow of new investment to Hong Kong, Japan was the biggest spender there in each of the four years to 1994.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	81.3
1986	105.5	100.9	6.9	98.4	95.5
1987	108.4	106.0	6.1	104.2	96.7
1988	112.5	110.7	5.4	104.9	100.2
1989	115.4	112.4	5.2	97.9	99.1
1990	116.2	112.4	5.5	82.7	95.3
1991	113.5	110.4	6.8	61.7	100.2
1992	117.2	114.2	7.4	61.8	105.0
1993	123.4	118.2	6.8	67.7	110.7
1994	130.9	125.1	6.0	79.0	112.9
1995	136.1	129.3	5.5	79.3	112.9
3rd qtr.1995	3.5	3.0	5.6	78.8	111.0
4th qtr.1995	1.9	1.6	5.5	79.4	112.9
1st qtr.1996	4.0	1.3	5.6	78.1	115.7
2nd qtr.1996		3.2		76.3	
August 1995	3.5	3.2	5.6	78.9	111.0
September	2.8	3.1	5.6	77.8	111.0
October	1.2	1.9	5.4	78.6	110.9
November	1.8	1.7	5.5	76.9	111.8
December	2.5	1.1	5.5	82.5	112.9
January 1996	2.0	0.6	5.7	79.8	114.2
February	5.3	2.0	5.5	79.5	115.4
March	4.7	1.4	5.6	78.1	115.7
April	4.7	2.6	5.4	76.2	115.8
May	4.5	3.2	5.5	74.2	116.3
June		3.6		78.7	
July		3.9		78.7	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.3
1986	106.5	99.7	2.8	94.3	83.8
1987	[illegible]	103.1	2.8	108.3	91.1
1988	122.8	113.1	2.5	135.9	96.6
1989	132.5	[illegible]	2.2	147.0	96.7
1990	141.7	124.5	2.1	149.8	95.6
1991	144.6	126.8	2.1	144.2	92.6
1992	139.9	119.0	2.1	124.2	91.4
1993	131.8	113.8	2.5	106.6	96.8
1994	129.6	114.5	2.9	102.2	104.6
1995	128.6	118.5	3.1	106.5	108.1
3rd qtr.1995	0.5	1.8	3.2	105.1	107.7
4th qtr.1995	-0.3	1.7	3.3	109.9	108.1
1st qtr.1996	5.3	1.1	3.3	110.7	108.9
2nd qtr.1996		0.6			
August 1995	0.7	1.1	3.2	105.8	107.0
September	1.8	1.7	3.2	105.4	107.7
October	-1.1	2.6	3.2	109.0	108.0
November	[illegible]	0.9	3.4	109.6	108.7
December	-1.1	1.2	3.3	[illegible]	[illegible]
January 1996	5.8	3.0	3.4	[illegible]	[illegible]
February	4.9	3.2	3.3	114.6	108.9
March	5.3	-2.9	3.1	107.4	108.9
April		0.2	3.4	117.7	109.6
May		2.7		122.2	109.8
June		-1.1			
July		5.3			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	138.9	89.4
1987	107.4	102.6	6.2	149.5	90.0
1988	110.5	106.3	6.2	165.1	95.5
1989	114.2	111.4	5.6	218.5	97.7
1990	123.5	117.2	4.8	278.0	93.2
1991	130.5	117.9	4.2	297.8	95.1
1992	127.7	116.4	4.6	287.9	89.1
1993	122.3	109.2	8.1	229.0	95.1
1994	120.4	113.9	6.8	240.4	103.5
1995		115.7		267.8	100.7
3rd qtr.1995		1.3		265.5	100.4
4th qtr.1995		-2.8		258.0	100.7
1st qtr.1996		-4.0		273.8	100.2
2nd qtr.1996		-1.8		283.8	
August 1995		0.9		264.6	100.7
September		0.7		261.3	100.4
October		-2.2		258.0	100.4
November		-1.7		261.3	100.6
December		-4.3		254.6	100.7
January 1996		-1.2		265.6	100.7
February		-7.3		270.6	100.4
March		-3.4		285.5	100.2
April		-2.1		285.5	100.5
May		-2.7		283.0	100.9
June		-0.8		283.0	
July				273.8	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	89.4
1986	102.4	101.1	10.4	107.0	95.5
1987	104.5	103.1	10.5	117.2	95.3
1988	107.9	107.9	10.0	135.3	100.1
1989	109.5	111.3	9.4	160.6	99.8
1990	110.4	112.8	8.9	163.2	95.0
1991	110.3	111.4	9.4	128.2	96.3
1992	110.5	110.0	10.4	109.5	94.8
1993	110.7	105.8	11.7	90.0	98.2
1994	110.7	110.0	12.3	104.1	101.5
1995	110.5	111.7	11.8		97.0
3rd qtr.1995	0.2	0.2	11.5		97.5
4th qtr.1995	-2.5	-2.1	11.9		97.0
1st qtr.1996	0.7	-0.3	12.2		99.0
2nd qtr.1996		-0.1			
August 1995	-0.3	0.7	11.5		96.8
September	-0.9	-0.9	11.7		97.5
October	-3.9	-1.5	11.8		97.0
November	0.4	-2.4	11.9		97.0
December	-4.0	-2.4	12.0		97.0
January 1996	0.2	-0.6	12.1		97.6
February	2.9	0.4	12.2		98.2
March	-1.0	-0.5	12.3		99.0
April	0.0	0.1	12.3		98.8
May		0.1	12.4		98.6
June		-0.5			
July					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	9.6		88.4
1986	106.6	104.1	10.4		94.5
1987	112.1	106.8	10.9		96.1
1988	107.9	114.2	10.9		100.5
1989	116.9	118.7	10.9		96.6
1990	114.5	118.0	10.3		95.3
1991	110.9	116.9	9.8		97.5
1992	118.9	115.4	9.8		94.5
1993	114.1	113.0	10.2		101.3
1994	107.4	118.5	11.1		103.3
1995	102.3	127.2			101.8
3rd qtr.1995	-3.4	5.8	12.1		102.8
4th qtr.1995	-7.8	4.7			101.8
1st qtr.1996		0.5			99.8
2nd qtr.1996		-1.3			
August 1995	-1.6	8.2	n.a.		103.1
September	-3.2	5.0	n.a.		102.6
October	-16.0	4.4	n.a.		101.8
November	0.9	4.3	n.a.		101.5
December	-10.8	5.6	n.a.		101.8
January 1996		0.9	n.a.		101.3
February		-0.4	n.a.		100.4
March		0.8	n.a.		99.8
April		-2.8	n.a.		99.1
May		-1.8	n.a.		
June		0.7	n.a.		
July			n.a.		

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.2
1986	105.3	102.5	11.2	116.1	92.8
1987	110.8	106.5	10.3	141.0	95.5
1988	117.8	111.6	8.6	154.4	94.6
1989	120.1	114.0	7.2	124.3	94.6
1990	121.1	113.7	6.9	97.6	92.3
1991	118.4	109.5	8.8	68.9	95.3
1992	120.4	109.4	10.1	68.8	97.7
1993	123.9	111.9	10.4	76.5	104.8
1994	128.5	117.4	9.5	93.3	107.2
1995	129.9	[illegible]	8.7	107.9	105.4
3rd qtr.1995	0.5	1.8	8.7	109.8	106.0
4th qtr.1995	1.2	1.8	8.6	111.7	105.4
1st qtr.1996	2.1	1.3	8.4	111.8	105.8
2nd qtr.1996	2.7	1.1		121.5	
August 1995	0.4	1.4	8.7	108.1	106.2
September	-0.1	1.7	8.7	114.0	106.0
October	0.2	1.0	8.7	111.9	105.7
November	1.8	2.3	8.6	112.7	105.4
December	1.7	2.2	8.5	110.5	105.4
January 1996	2.2	1.4	8.3	108.9	105.8
February	2.1	1.1	8.4	110.3	105.8
March	2.2	1.2	8.3	114.6	105.8
April	2.3	0.9	8.4	115.6	105.4
May	2.8	1.5	8.3	120.4	105.5
June	3.4	0.8		128.0	
July	2.1			135.1	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Iraq sales delay lifts oil prices

By Robert Corzine

Oil prices rose sharply yesterday after the United Nations shelved plans to allow Iraq to export $2bn of oil every six months to pay for food and medicines.

The price of the benchmark Brent Blend for delivery in October rose by a dollar at one stage, reaching a high for the day of $22 in late trading before slipping back to close at $21.99, up $1.27 on Friday's close. The price of jet fuel reached a five-year high on the back of the sharp crude oil gains.

Traders said uncertainty over the timing of Iraqi crude exports, which had been expected later this month, should underpin oil prices, at least in the short-term.

"Supply anxiety is creeping into the market," said Mr Fareed Mohamedi, director of global oil markets at the Petroleum Finance Company, a Washington consultancy. "Every time we have fireworks in the Middla East it's worth 50 cents to a dollar on oil prices."

It was unclear last night how long the oil-for-food plan would remain suspended. The British Foreign Office said a prolonged delay was one of many retaliatory options being examined. "We haven't ruled anything ont," said a spokesman.

Earlier Mr Recai Kutan, Turkey's energy minister, predicted a delay "for some time," although Ankara was expected to ask the UN to reverse its decision. A Turkish pipeline will carry most of the Iraqi oil and Turkey is expected to emerge as one of Iraq's main food suppliers.

Many in the international oil industry would welcome a two or three month delay to tha start of Iraqi oil exports. Although oil prices have proved surprisingly resilient this year because of strong demand, there have been worries that the actual arrival of Iraqi crude could coincide with increased production in the North Sea and elsewhere.

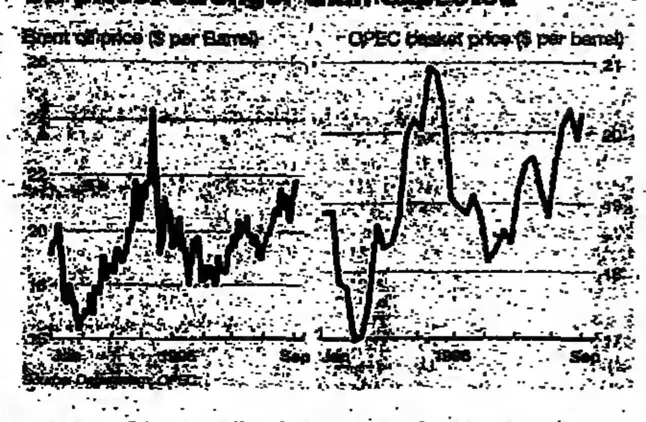
A delay in Iraqi exports until the fourth quarter, when demand is especially strong because of the onset of the northern bemisphere winter, could prove less disruptive, say analysts.

But a prolonged delay to Iraqi exports could be difficult to justify, given that UN resolution 986 anthorising the sales is not linked to specific Iraqi behaviour. The oil sales and food distribution plans have also been carefully prepared to ensure that President Saddam Hussein receives no direct gain from the oil proceeds. In addition the Security Council bas recognised that the humanitarian needs in Iraq warrant such a programme.

Any allied military action against Iraq could give a further boost to oil prices, whicb have risen sharply over the past month due to unease about the tongher US position towards Iran and tha wider potential for Middle East instability.

Ironically, one of the main financial beneficiaries of the tension has been Iran. Unlike the other big Gulf producers it is struggling to maintain oil production. The extra revenue is also particularly timely given that Tehran is in the midst of a large foreign debt repayment programme.

Oil price: stronger than expected



Tour guide to Jewish settlers' case

Ilene Prusher visits Hebron, potential stumbling block of the peace process

Mrs Moria Zeira is shouting the history of what she calls Jewish Hebron outside a small cave marked as the graves of Ruth the Moabite and Jesse, King David's father.

Her voice grows louder to compete with the meuzzins from nearby minarets, whose prayer call resonates in the hills around this decrepit city.

A crowd of English-speaking tourists nod, intensely interested, as their tour guide, appointed by Hebron's 400 Jewish settlers, describes why the Israeli army should retain control of the city – and its 120,000 Palestinians.

"Praise God, there is an army base there," says Mrs Zeira, pointing to a large, strategically perched building. "We don't know what [Prime Minister Benjamin] Netanyahu will decide to do. We know he will let Jews live here, but the point is if they'll be safe."

To Israeli and Palestinian negotiators trying to salvage the peace process, the point is Habron itself. In secret negotiations that government officials say are close to forging a breakthrough that would include a long-awaited summit between Mr Netanyahu and Mr Yassir Arafat, president of the Palestinian Authority, it is the future of Hebron that is the main block to progress.

Israel, which agreed to redeploy from the ancient city it captured in 1967 as part of the Oslo Accords with the Palestine Liberation Organisation, now wants to renegotiate the deal to improve its security implications. Though Mr Arafat cannot afford to appear soft before Palestinians, there may be a shred of willingness to let Mr Netanyahu make a few "cosmetic" changes to appease his right-wing constituency.

But some ministers in Mr Netanyahu's cabinet want to do more than just tinker with the original plans – they want to scrap them altogether. Jewish settlers hava launched a public relations campaign that includes videos, trips and widely-distributed bumper stickers declaring "Hebron: For now and forever." For visitors from abroad, they have a plethora of slick promotional material, a US-based "Hebron Fund" for fundraising purposes, and even a Hebron website.

But most of all, the settlers have made a new push into tourism, attracting more than 300,000 visitors, they say, in the past year. Mrs Zeira helps shuttle visitors in buses guarded by Uzi machine guns, whisking tourists past hostile Arab stares from one site to another. From the bus, she makes a jab at the blue-hatted Norwegian observers who were to oversee the redeployment five months ago. "If you're asking me, they're not doing anything, just talking with Arabs all the time."

Tourists are whisked past hostile Arab stares

First stop is the Tomb of the Patriarchs, the graves of Abraham and Sarah and the rest of Judaism's forefathers. Mrs Zeira brushes off the importance of the shrine to Moslems, instead warning her visitors about Islamic usurpation of the building.

"It looks very Arabic inside because of what the Arabs did to it," she says, leading her followers towards two sets of metal detectors. The airport-like security and a separation of prayers came after an extremist settler, Baruch Goldstein, in 1994 opened fire on a group of Moslems praying there, killing 29.

Only muted mention of that is made. The massacre that seems to be most alive in the minds of the Jewish settlers here is the one in 1929, when anti-Jewish riots left 67 dead.

A settle-where-you-can strategy has left Hebron pocketed with Jewish settlements, rather than concentrated in one area. Although mostly along the eastern end of the city, their separate enclaves make it impossible for the Israeli army to guard all of them without keeping control of soma Palestinians.

"We see ourselves as the keepers of the keys. This is where the Jewish people began. And by next election, we want to have another 4,000 Jews here," says Mr David Wilder, a settler spokesman.

While other issues may seem negotiable, the peace brokers are finding the problems of Hebron to be almost as hard to solve as the ones surrounding that other disputed city – Jerusalem. But that has been left for final status talks, while Hebron has already been debated and decided by Mr Netanyahu's predecessors.

Palestinians in the city show little tolerance for political cosmetics. "The question of Hebron is finished, they must withdraw" says Raji Nasar, a PLO official in Hebron.

Hariri team 'bribed voters'

By Sean Evers in Cairo

Representatives of Mr Rafik al Hariri, Lebanon's billionaire prime minister, were yesterday accused of bribing voters in parliamentary elections in Beirut in which he and his supporters won 14 of the 19 seats.

The Lebanese Association for tha Democracy of Elections (Lade), an independent group established in March to monitor elections, reported hundreds of violations in Sunday's voting, including "the bnying of votes for the government list (Mr Hariri and his candidates), each vote being purchased for L£100,000 ($64)".

The turnont among Beirut's 377,000 voters was only 31 per cent, the lowest so far in the five-region election process.

The battle for the capital was between Mr Hariri and Mr Salim al-Hoss, the former prime minister. Both are Sunni Moslem leaders, bnt while Mr Hoss is a veteran Beiruti politician with 20 years in public life, Mr Hariri is a self-made construction tycoon from the southern port city of Sidon.

Until now, Mr Hariri has held office by parliamentary vote of confidence but had no parliamentary seat.

Mr Paul Salem, Lade general secretary, said: "Mr Hariri wanted to extend his influence to electoral politics by controlling a big bloc of deputies in parliament to push through his reform programme." The pro-Syrian prime minister is expected to have at least 40 supporters out of 128 members in the next parliament.

Mr Hariri and Mr al Hoss both received approximately 110,000 votes each.

Amid reports of extensive electoral abuses, the pro-Syrian candidates have now won more than 80 per cent of seats in the first three rounds of voting. Lade, however, belleves the government will have a "very feeble" popular mandate.

INTERNATIONAL NEWS DIGEST

Tanzania to sell state assets

Tanzania has earmarked 128 state companies for privatisation by the end of next year as part of western-backed economic reforms in the once socialist country. An official at the Parastatal Sector Reform Commission (PSRC) said 31 of the companies would be sold by the end of this month, with the total rising to 78 by the end of the year.

Tanzania is scheduled to open a stock exchange later this month. The Capital Markets and Securities Anthority last week invited private companies to prepare prospectuses in readiness for the opening. Tanzania Breweries, owned jointly by a South African company and the Tanzanian government, is among those to be listed.

The official said other candidates include National Steel Corporation, the National Blcycla Company, Motor Mart, National Engineering Company, Tanzania Cables Southern Paper Mills, and Ubungo Farm Implements and Machine Tools. *Reuter, Dar es Salaam*

Israel overshoots deficit goal

Israel's budget deficit has already surpassed its target level for the whole of 1996, the finance ministry said yesterday, pointing to difficulty in tha new government's plans for drastically reducing its deficit.

The government's domestic spending in August exceeded its domestic revenues by Shk2.09bn ($666m). That brought the government's local deficit to Shk8.6bn, overshooting the Shk7.6bn target for the entire year.

As part of his sweeping plans for fiscal restraint, Mr Benjamin Netanyahu, the prime minister, has pushed through cabinet plans to cut Shk4.9bn from the 1997 budget. But those cuts have not yet been authorised by parliament and face tough opposition from Israeli labour unions. Mr Dan Meridor, the finance minister, had hoped that Israel might be able to make additional cuts to help trim the 1996 deficit. Now that the target has been surpassed just eight months into the year, market analysts are concerned the government might be forced to raise taxes and will be unable to justify a further easing in interest rates. *Ilene Prusher, Jerusalem*

Jordan to try 'rioters'

Jordan is to put on trial between 30 and 50 men, many of them activists in a pro-Iraqi party, for alleged involvement in riots after the government doubled bread prices last month. Many are members of the Jordanian Arab Socialist Baath Party (JASBP), blamed by the government for instigating Jordan's worst civil disturbances in seven years. They and other activists are accused of taking part in setting fire to and damaging public buildings and banks. A special security court will try them sooo, an official said. The JASBP, which has one seat in the 80-member lower bouse, denied it was behind the unrest, blaming the troubles on government policies and rising economic hardship. *Reuter, Amman*

Nigerian strikers threatened

Nigeria's military government, unable to break a four-month strike by university professors, warned yesterday that the schools would be closed and strikers fired unless they returned to work. The warning, in the state-owned Times of Nigeria newspaper, gave professors until today to comply. The strike is over pay and government "neglect" of education. *Reuter, Lagos*

Fresh candidates emerge for the post-colonial position of chief executive

Hong Kong political contest hots up

By John Ridding in Hong Kong

Manoeuvring is gathering pace for political power in post-colonial Hong Kong. New candidates are emerging in the contest to become chief executive, the territory's top job after next year's handover to China, while pro-democracy groups are realigning and forming fresh platforms.

Both tussles will shape the territory's fortunes. The chief executive will determine whether Hong Kong's promised autonomy is upheld, while the pro-democracy forces promise to press for the protection of rights and institutions.

Divisions and upheavals within their ranks, however, raise questions about how effectively they can bring such pressures to bear.

The latest and most surprising political twists have come in the battle for the post of chief executive.

The weekend revelation that Sir Ti Liang Yang, the chief justice, is poised to compete has prompted predictions of a two-horse race in which Mr Tung Chee-hwa, the shipping tycoon and front-runner, faces a challenge on the home straight.

For many, he retains the edge. "C.H. Tung is still the favourite," says Mr Michael de Golyer, head of the transition project at Baptist University. Pro-democracy politicians dismissed Sir Ti Liang's nomination as a ploy to give the impression of choice in a non-democratic selection, while Mr Allen Lee, head of the pro-business Liberal party cites concerns about Sir Ti Liang's management and organisational abilities.

As one commentator adds: "Comprehension of Hong Kong's capitalist system is critical. It is better to be savvy than be fair."

But Sir Ti Liang's late run undermines the assumption that the final decision, set for November, has already been taken. Equally significant, it has revealed concerns within the business community about having a chief executive from its ranks.

"If he is your ally, that is the best solution. But if he is not then its the worst," says ons industrialist.

The local and international reaction to the final choice will depend partly on whether Mrs Anson Chan, the respected chief secretary, remains in a position of influence. In theory, she could even have a chance of the top post if the decision is made by secret ballot in the 400-member selection committee. Partly because of this, the odds are for a "consensus" decision.

"Beijing will want to be sure the choice is theirs. Don't imagine they will take a chance," says one diplomat.

The manoeuvring among the pro-democracy forces is more visible – as is the dilemma facing the Democratic party, the largest mambar of the territory's legislature. Last month's call by China for dialogue with the Democrats marked an attempt to reassure Hong Kong's public about the transition, but it also represented a tactical move, placing pressure on the party to join the selection committee and threatening divisions within the pro-democracy ranks.

"They have shot themselves in the foot," says Mr Ds Golyer, referring to the Democrats' refusal to join tha committee, despite polls supporting such a move.

"They should join, help select the chief executive and protest over the issue of the provisional legislature," he says, referring to Beijing'a controversial plan to abolish the existing Legislative Council.

Challenges are also being presented by the proliferation of new political groupings. Ms Emily Lau, along with four other legislators, has established the Frontier, a new organisation to defend human rights and to push for universal suffrage.

Ms Christine Loh, another independent legislator, is to set up a new party in spring next year and has signalled a pragmatic stance in dealings with China, dismissing claims of accommodation, but stressing the need for co-operation, particularly in business issues. "I don't have a problem working with people with a different ideology," she says. "In areas where I disagree we will still have a punch-up."

The concern among pro-democracy forces is that those opposing Beijing's stance will be weakened by divisions. Mrs Lau dismisses such claims. "How can we divide what was never united", she asks. We have a hundred members, and only three are from the Democratic party. We will help unite diverse forces."

But Mrs Lau predicts Beijing's overtures will draw some democrats to its cause. "Mr Qian has succeeded in dividing the pro-democracy camp," she says, referring to the Chinese foreign minister's invitation to join the selection committee. According to this view, the re-shaping of Hong Kong's political forces is only just beginning.

C.H.Tung (left) – favourite for top job after the transfer, with influential Mrs Anson Chan in with an outside chance

Hard hit South Pacific on the fiscal rack

By Nikki Tait in Sydney

Talk of fiscal restraint will inject a dose of reality on the sand-fringed atolls of the South Pacific when leaders of 16 regional island-nations gather today at Majuro on the Marshall Islands.

"The idea of focusing on economic reform and openness is very important," Mr John Howard, Australia's prime minister, said bluntly yesterday before leaving on his first overseas trip to attend the annual meeting of the South Pacific Forum.

Tha assembled leaders will have little choice but to listen to his message. The past year has been particularly tough for the region. According to the Asian Development Bank, developing nations – which make up the bulk of the Forum members bar Australia and New Zealand – clocked up negative growth of 4.3 per cent in 1995.

This was partly due to the severe financial problems faced by resource rich Papua New Guinea, one of the larger economies, which is still wrestling with a "structural adjustment" package demanded by the World Bank as a pre-condition for financial support. But PNG's woes were also symptomatic of wider economic malaise. Most Pacific nations saw growth rates decline last year, and even where growth remained presentable, this was largely illusory.

In tha Solomons Islands, for example, tha rise in GDP was driven by proceeds from unsustainably logging levels, predominantly by foreign companies. Western Samoa merely recovered from a crippling contraction in 1994 when the taro crop was devastated.

Aid flows to the region are also declining. As a recent Australian government report noted: "The US and the UK [are] now playing only a very limited role, and the European Union is not as yet giving any indication what will replace the current framework . . . when tha Lome Convention expires in the year 2000. New donors are becoming more active, but not yet on a significant scale."

Already, some economies have been forced to adjust to these straitened times. In PNG, this has largely been at the behest of the World Bank, and the process remains controversial. In the much smaller Cook Islands, which until recently had 18 public servants per 100 islanders, stringent civil service cuts have been announced and restructuring instigated with help from the ADB and New Zealand.

But in other cases, the financial pressures seem to be prompting mora controversial solntions. Tuvalu has reportedly become the centre of a telephone sex industry, with revenue from the calls said to account for about 10 per cent of its national budget.

Australia, for one, will be keen to ensure that mora conventional budgetary solutions get a hearing in Majuro. Officials said last week the "main game" would be to ensure that trade and economic reform is on the agenda.

Mr Howard, meanwhile, departed for the forum armed with a review of the "South Pacific Regional Trade and Economic Co-operation Agreement". The "Sparteca" arrangements allow free access for agricultural and manufactured goods from tha Pacific islands countries to the New Zealand and Australian markets, and have been instrumental in daveloping the likes of Fiji's garment industry.

But the new Australian government has already made clear it thinks the Sparteca arrangements have had their day, arguing that they are of declining value as Australasian tariff walls come down.

ASIA-PACIFIC NEWS DIGEST

Suu Kyi given new warning

Burma's democracy leader Ms Aung San Suu Kyi has been warned not to expand her political activities or she and her National League for Democracy (NLD) could face further repressive measures, officials said yesterday. "New and appropriate steps will be taken if and when required." Colonel Kyaw Thein of military intelligence said. No one would be allowed to act as a check on the country's economic development, he added.

The warning comes after sentences on 61 NLD supporters, including 19 accused of having contact with Burmese exile groups. Four others have been sentenced to seven years' jail for trying to make a video of conditions in the Burmese countryside. Under a bill passed by the US Senate and pending in the House of Representatives, Ms Suu Kyi's arrest would empower President Clinton to impose economic sanctions. *William Barnes, Rangoon*

Problem loans bank set up

A new vehicle for handling collapsed Japanese financial institutions was set up by Japan's financial authorities yesterday. The Resolution and Collection Bank (RCB) is intended to operate like the US Resolution Trust Corporation, established after American savings and loans institutions failed in the 1980s.

The RCB's duties include disposing of what remains of several credit unions that have failed in the past two years. It aims to recover what assets it can over the next five years. The bank will have capital of Y160bn ($1.5bn), the bulk provided by the Deposit Insurance Corporation (DIC), which is financed by commercial banks to protect depositors. The DIC has provided guarantees of Y300bn; The government will provide the bank with extra funds if needed. *Gerard Baker, Tokyo*

Manila peace deal signed

Philippines President Fidel Ramos and Mr Nur Misuari, leader of the Moro National Liberation Front (MNLF), signed a formal peace deal yesterday, ending the 24-year civil war which has claimed 100,000 lives. The agreement will lead to a Moslem autonomous council covering about a quarter of the Philippines' territory within the next month. The council, which will dispense development funds over 14 provinces and nine cities, will be replaced by a permanent autonomous structure in 1999 when a plebiscite is held to determine which regions will belong to it. Hardline Christian elements said they would continue to oppose the deal. *Edward Luce, Manila*

Roh prosecutors appeal

Seoul prosecutors filed an appeal yesterday against the 22-year prison sentence passed on former president Roh Tae Woo last week, because they said it was too lenient. The prosecutors sought a life sentence for Mr Roh, found guilty of involvement in the 1979 military coup and the 1980 crackdown on pro-democracy demonstrators in Kwangju. The court also found him guilty of accepting bribes.

Prosecutors filed an appeal against the jail terms on 13 former military officers and acquittal of another officer, all tried for involvement in the two incidants. Former President Chun Doo Hwan, Mr Roh's co-defendant, was sentenced to death for masterminding the incidents. Mr Chun and Mr Roh have appealed. *Kyodo, Seoul*

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 3 1996

IN BRIEF

UBS sees $1bn provision for year

Union Bank of Switzerland, the biggest Swiss banking group, is tightening procedures for dealing with non-performing loans in an attempt to stem rising bad debt provisions. UBS, which increased the amount set aside for bad debt losses by 76 per cent in the first half, said it expected full-year provisions to be about SFr1.2bn ($1bn). Page 18

GEA predicts flat earnings for year
GEA, the leading German process technology group, said its full-year 1996 net profits would be about DM111m ($75m), the level of last year's earnings, in spite of a 17 per cent rise in first-half sales. Page 18

Leica Camera issue to seek DM124m
Leica Camera, the German camera and optical group, plans to raise at least DM124m ($83.7m) through its new share issue this month. The group said that after the issue more than 70 per cent of its stock would be held by the public. The price range for the shares would be between DM40 and DM47. Page 18

Outokumpu cautions on 1996 earnings
Heavy falls in world steel and copper prices in recent months forced Outokumpu, the Finnish mining and metals group which is 40 per cent owned by the government, to warn that earnings this year would be well below its record FM1.5bn ($330m) profit in 1995. The shares fell FM3.40 to FM81.10. Page 17

Mayne Nickless tumbles 33%
Mayne Nickless, the Australian transportation and healthcare group, announced a 32.8 per cent drop in profits to A$85.1m (US$67.5m) after tax but before abnormal items in the year to June 30. Page 18

Intel claims record chip sales growth
Intel, the US chipmaker, says sales of its Pentium Pro microprocessor, introduced late last year, have grown faster than any previous generation of microprocessors. Page 18

First Pacific chief upbeat for year
First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, announced a 30 per cent drop in first-half net profits to HK$708.2m (US$91.5m). But Mr Manuel Pangilinan, managing director, was optimistic about prospects for the second half. Page 19

Singer & Friedlander rises 42%
A strong performance in its stockbroking and fund management businesses gave Singer & Friedlander Group, the independent UK merchant banking concern, a 42 per cent rise in underlying interim pre-tax profits from £14.8m to £21m ($32.7m). Page 20

Bunzl rises 12% despite price falls
Bunzl, the UK paper and plastics group, withstood sharp drops in the prices of paper and plastics to record a 13 per cent increase in first half pre-tax profits to £55.8m ($87m). Page 20

Companies in this issue

Market Statistics
http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				Falls		
Rises				Calsonic	784	- 24
[illegible]	320.5	+ 6.5		Inumiya	1820	- 120
[illegible] Carbon	187	+ 6.4		Komatsu	905	- 24
Falls				Marudai Food	682	- 23
[illegible]	155	- 2.5		Okuma Corp	991	- 29
[illegible]	712	- 10		HONG KONG (HK$)		
[illegible] Vers	630	- 10		Rises		
[illegible]	855	- 7		ABC Com	2.625	+ 0.125
LONDON (Pence)				Mallard Realty	4.5	+ 0.2
[illegible]	71½	+ 7		Min Xin	1.92	+ 0.22
[illegible]	224	- 29		Soundwill Intl	2.65	+ 0.3
[illegible]	250	+ 15		Wai Kee Intl	0.72	+ 0.16
[illegible]	337½	- 69		Falls		
[illegible]	39	- 3		China HK Photo	3.375	- 0.275
[illegible]	450	- 11		BANGKOK (Baht)		
[illegible]	374	+ 12		Rises		
[illegible]	766	+ 9		CMS	13.25	+ 1.0
[illegible]	863	- 29		Metro Systems	34	+ 1.75
[illegible]	2895	+ 15		Siampro	24	+ 1.75
[illegible]	1415	- 35		Thai Mill Drum	15.25	+ 1.25
[illegible]	1631	- 106		Tipco	39.25	+ 2.5
				Falls		
[illegible]	546	- 22		Siam Tyre	390	- 28

[illegible] and Toronto closed.

Watchdog questions sale of Enel

By David Lane in Rome

The Corte dei Conti, Italy's public accounts watchdog, said the controversy over the electricity tariff regime created uncertainty for privatising Enel, the state electricity corporation wholly-owned by the Treasury.

Enel's flotation, planned for 1995, has already been put back until this year and an initial public offering of shares is now ruled out before the end of the year. It is widely thought the sale of the first tranche of shares will not take place until the end of 1997.

In its annual report on Enel, published yesterday, the Corte dei Conti said continuing uncertainty in the matter of tariffs created problems in planning and operations at the electricity company. The watchdog referred to two surcharge components in the tariff that were contested and led to legal action by users.

The first surcharge was introduced in 1986 to allow Enel to receive endowment funding totaling L6,200bn ($4.1bn). Consumer protection groups allege Enel had received this amount by the end of 1993 and the electricity corporation had been overcharging users since then. The government has introduced decree legislation this year but the matter remains unresolved.

The second tariff surcharge provides reimbursement for nuclear costs incurred by Enel following the abandonment of nuclear power in 1987. The calculation of these costs is questioned, in particular the interest rate, the compounding of interest and the extension of Enel's claims to cover operational nuclear power plant as well as that under construction.

Dealing with reimbursement of nuclear costs in its report on Enel in 1992, the public accounts watchdog remarked on the "dubious legitimacy of measures adopted in a state of confusion and uncertainty".

The Corte dei Conti's report has been published soon after the appointment of a new board of directors at Enel. The shareholder's meeting in June appointed Mr Chicco Testa, formerly head of the Rome electricity and water utility, as chairman. Mr Franco Tato, previously head of the Mondadori publishing house, was appointed managing director.

Mr Tato is expected to seek greater efficiency and lower costs. The workforce at Enel fell to just over 96,000 at the end of last year, from almost 102,000 one year earlier. The board said in the 1995 annual report that it expected a 5 per cent increase in sales per employee this year. Sales are only expected to rise by 2 per cent and further cuts in the workforce would be necessary.

Enel posted net profits of L1,147bn last year on sales of L36,112bn, a rise of 11 per cent on the L1,038bn net profit from L33,365bn sales reported in 1994.

In spite of improvements, Enel's profitability is still considered inadequate to provide satisfactory remuneration to investors.

GEC amends head's incentives

By Ross Tieman in London

The General Electric Company, of the UK, has quelled a revolt by institutional investors after agreeing to introduce tougher performance criteria to the incentive package for its new managing director, Mr George Simpson.

Revised terms for the phantom share option scheme at the heart of shareholder concerns were agreed yesterday at a meeting between Lord Prior, GEC chairman, and Mr Richard Regan of the Association of British Insurers.

The company's decision to revise Mr Simpson's pay package, which is worth up to £1.5m ($2.3m) a year, reflects a growing determination among institutional investors to see that incentive packages demand out-of-the-ordinary performance.

In the case of GEC, investors' unhappiness centred upon a scheme which would have allowed Mr Simpson to exercise phantom options if the company outperformed the FT-SE 100 index by 10 per cent during a six-month period.

Investors complained that even under-performing companies sometimes achieved this. Under revised terms announced last night, Mr Simpson will be unable to exercise the phantom options unless GEC outperforms the FT-SE 100 index in three years out of four.

"GEC and Mr Simpson have always envisaged that challenging performance criteria would be attached to awards made to Mr Simpson under the GEC Employee Share Plan," the company said.

"The criteria will comply with the ABI's current guidelines requiring top quartile performance based upon appropriate benchmarks."

Investors welcomed the concessions. Mr Alastair Ross Goobey, chief executive of Hermes Pension management, said: "We are all in favour of peer group comparisons: that seems to be much more satisfactory."

Many fund managers remain concerned that GEC, arguably Britain's most important industrial company with annual sales of £11bn, should have fallen foul of shareholders over the appointment of its managing director. One said: "I think there has been a constructive response from the company on the particular issue of options and performance, and that is to be welcomed.

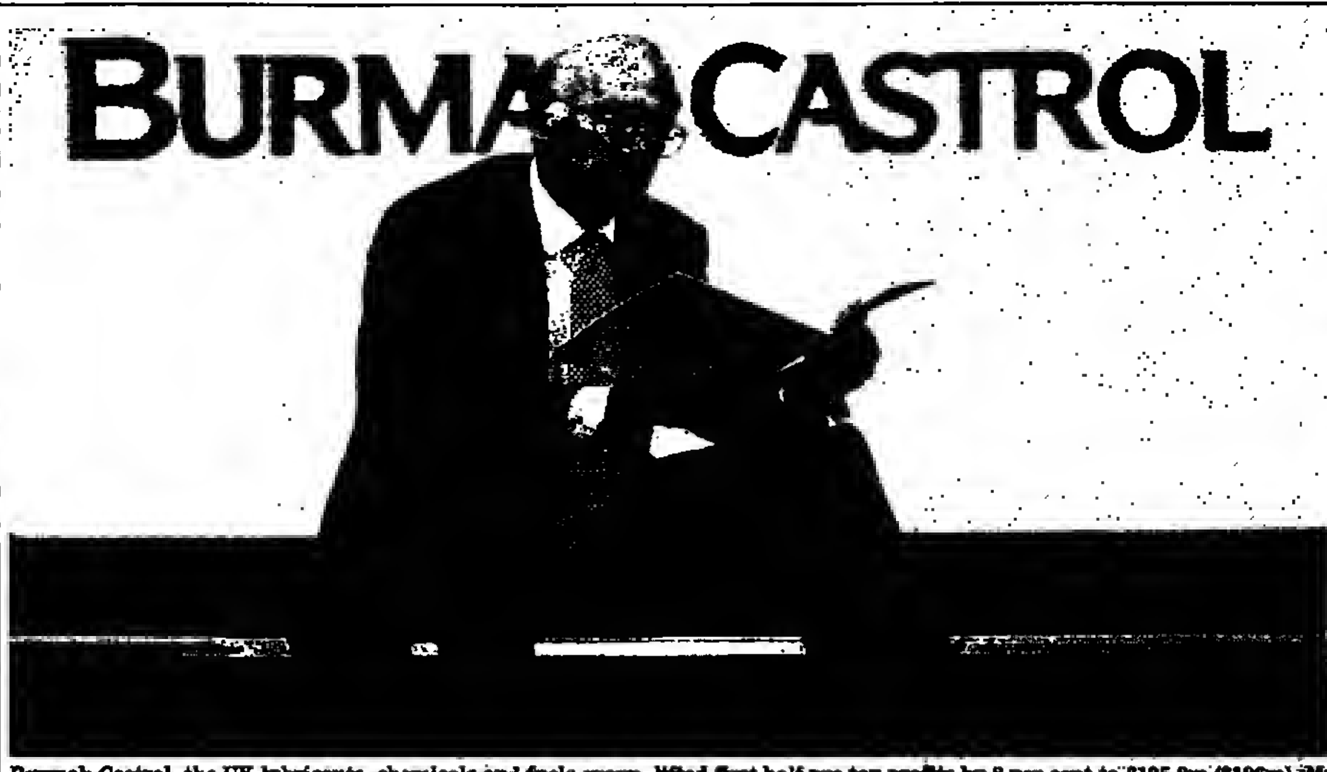
"But there is a feeling that the company didn't really enter into the spirit of the times in the way this saga developed."

The selection of Mr Simpson, previously chief executive of Lucas Industries, to run GEC enjoys wide support among the company's shareholders.

One said: "Are we enamoured with his reward package? Not hugely. But we are not talking about a Jack Flash. George Simpson is a serious industrialist – and he is taking on a very tough job."

Lord Weinstock, 71, who has run the company for more than 30 years, retires from executive responsibility at the annual meeting on Friday.

Shareholders admire the strength and stability achieved by Lord Weinstock at the defence, electrical and electronic engineering group. But they believe a new managing director is needed, with a new strategic vision, to accelerate growth.



Burmah Castrol, the UK lubricants, chemicals and fuels group, lifted first-half pre-tax profits by 8 per cent to £125.9m ($196m). Mr Jonathon Fry (above), chief executive, said yesterday that there had been a sharp deterioration in market conditions in Europe, especially Germany. The growth had come from Asia and super lubricants. Details, Page 20 Picture: Brendan Corr

New Rover chief faces long haul

By Tim Burt in London and Wolfgang Münchau in Frankfurt

Mr Walter Hasselkus, the new chief executive of Rover, was yesterday warned that it could take several years to turn around the lossmaking UK subsidiary of BMW.

On the day Mr Hasselkus took control of the carmaker, analysts predicted BMW would have to invest heavily to improve Rover's performance.

He is expected to oversee investment in Rover of £500m ($780m) a year, roughly double what was spent when it was owned by British Aerospace.

That spending – coupled with last year's DM335m ($226.3m) loss at Rover – has led to criticisms in Germany that BMW may have made a mistake when it acquired Rover for £800m ($1.2bn) in 1994.

By appointing a German chief executive, industry observers said, BMW had given the impression of undertaking a rescue operation, especially as it had said it would appoint a UK executive.

BMW yesterday said Mr Hasselkus had been chosen only after it failed to find a suitable Briton. It denied it regretted the takeover and said Rover's product development and sales were going according to plan.

Nevertheless, the German group confirmed Rover was not expected to contribute to its profits until the end of the decade.

Mr John Lawson, analyst at Salomon Brothers, said: "The problem is Rover has exactly the wrong sort of product range. They have eight model lines covering an area of the market which is too small for a volume car producer."

Given Rover's relatively modest output of about 500,000 vehicles a year, he warned that BMW could find it hard to achieve economies of scale.

Other analysts said Mr Hasselkus faced the challenge of improving productivity, introducing products and maintaining market share.

Worries over Rover's UK market share – on which it chiefly depends – rose yesterday when Henlys, the UK car dealership group, said its Rover outlets had performed poorly in the peak sales month of August. The one bright spot was said to be Land Rover, where BMW has authorised £200m of new investment.

Tax fears at Spanish tobacco group

By David White in Madrid

Tabacalera, Spain's state-controlled tobacco group, yesterday said results in the second half may suffer as a result of higher cigarette taxes, after a 10.8 per cent increase in first-half consolidated net profits to Pta7.15bn ($57m).

The company has lost more than a fifth of its stock market value since Spain's centre-right government imposed the extra taxes in July to help cover a shortfall in the budget accounts inherited from the previous Socialist administration.

In a price war between brands, Tabacalera has tried to consolidate market share by not raising prices on its main Virginia tobacco products such as Fortuna, the Spanish market leader.

A similar strategy has been adopted by US groups Philip Morris and R. J. Reynolds for brands including Marlboro and Winston. The former initially announced an increase in prices to reflect the tax increases but then reversed its decision.

Although international brands are made in Spain under licence or through joint venture arrangements with Tabacalera, and sold through the Spanish company's effective distribution monopoly, retail prices are fixed by the foreign partners.

Tabacalera said the price policy meant it would carry the burden of taxes on some of its own upper and middle-range brands, but it could not yet quantify the impact this might have on results.

Shares in the company, which is on the government's list for full privatisation, closed yesterday at Pta5,130, up Pta30. This compared with Pta6,600 before the tax increase. The value of the government's 52 per cent holding at current market prices has fallen by more than Pta30bn since mid-July when Tabacalera shares peaked at Pta6,700.

Parent company net profits in the first half were 13.5 per cent up at Pta7.57bn, on gross sales rising 10.8 per cent to Pta393.98bn. This included a 14.2 per cent growth in sales of its core tobacco business, net of value added tax, to Pta285bn. Operating profits climbed 28.5 per cent to Pta6.46bn.

Malaysian group may lift spending to curb blackouts

By James Kynge in Kuala Lumpur

Tenaga Nasional, the Malaysian power group and the country's second biggest company by market capitalisation, may have to increase capital spending to avoid a repeat of last month's devastating power cuts.

The new chief executive of Malaysia's semi-privatised power utility, Mr Ahmad Tajuddin Ali, said the company was studying whether capital expenditure, estimated at around M$5bn ($2bn) in the year to August 31, 1997, might have to be increased further.

A company official said that raising funds to satisfy the demands of capital expenditure had become a pressing problem, especially since Moody's, the credit rating agency, had downgraded Tenaga from stable to negative last month. Nearly 60 per cent of Tenaga's debt is denominated in foreign currencies.

Mr Tajuddin said the group would look for cost savings before asking the government to raise tariffs.

Mr Tajuddin stopped short of saying that employees may be laid off, but noted the government had given him a mandate to make whatever changes were necessary to restore the company's reputation with its customers, creditors and shareholders.

He also noted that the company had an obligation to supply competitively priced electricity to Malaysian industry. Mr Tajuddin said that only after every effort had been made to improve efficiency would the company pursue its application to the government for electricity tariff increases early next year.

Mr Tajuddin began work at the power group yesterday with a pledge to revitalise the company and avoid a repeat of last month's peninsula-wide blackout which tarnished the country's image among foreign investors.

He said he could not guarantee there would be no more blackouts such as the one that lasted 16 hours on August 3, but said he would ensure Tenaga did "everything humanly possible" to prevent it.

One new measure was to generate more electricity in plants nearest the areas of greatest demand, even if those plants were less economical. This would help reduce a current practice of transporting bulk power though a grid which in many stretches cannot safely carry it, Mr Tajuddin said.

"We are looking for long-term growth. If we allow the insecurity of supply to occur, then we are not going to be working much longer," Mr Tajuddin said. Tenaga, which has suffered a sharp decline in its share price since the blackout, is about 70 per cent government owned.

The power cut, which cost manufacturers at least M$123m in losses, prompted a government review of whether Tenaga should lose its distribution and transmission monopolies. The National Grid Group, the UK power company, has been hired to recommend steps which Malaysia can take to eradicate its problems.

UBS aims to cap bad-debt provisions

By William Hall in Zurich

Union Bank of Switzerland, the biggest Swiss banking group, has taken steps to tighten its procedures for dealing with non-performing loans in an attempt to stem the rise in bad debt provisions which are running at historically high levels.

UBS, which increased the amount it set aside for bad debt losses by 76 per cent in the first six months of 1996, said yesterday it expected its full year provisions to be around SFr1.2bn ($1bn).

This is roughly the same as last year and Mr Mathis Cabiallavetta, UBS chief executive, said he expected the situation would remain difficult for some time to come. He did not, however, expect any significant increase in provision levels for the next "two to three years".

UBS, which increased its loan loss provisions considerably more than the other big Swiss banks in the first six months, disclosed yesterday that it had created a number of "work-out groups" to help improve loan loss recoveries. The groups will be made up of banking specialists who will target problem areas, such as real estate loans. However, UBS stressed that, despite the changes, it intended to continue making its lending decisions close to its customers and was not going to fall into the trap of over-centralising its credit-vetting procedures.

The big Swiss banks have all been suffering from the prolonged downturn in the Swiss economy. Economic growth has come to a halt in the current year and unemployment has risen to historically high levels.

As a result the banks' problems in the Swiss real-estate market have spread to other sectors of the Swiss economy. Some 95 per cent of UBS's first-half provisions were for domestic loans.

Nevertheless, yesterday's statement from UBS on the outlook for its credit provisions caused surprise among analysts. The group said last month there was no sign of the situation improving in the short term, and it expected its "value adjustments and provisions" to remain high in the second half of the year.

However, the group set aside SFr805m in the first six months, suggesting it will need to set aside only SFr400m in the second half. This would be a sharp reduction on the SFr712m set aside in the second half of 1995.

Mathis Cabiallavetta: situation difficult for some time to come

UBS has always been thought to have a higher-quality loan portfolio than its competitors, explaining why its loan loss provisions, as a percentage of total loans, are considerably smaller than those of its rivals. According to Sylvan Zülle of Bank Sal Oppenheim (Schweiz), UBS's provisions at the end of 1995 accounted for 3.74 per cent of its loan portfolio compared with 5.49 per cent for Swiss Bank Corporation and 7.28 per cent for CS Holding, parent of Credit Suisse.

Mr Zülle speculated that UBS's decision to raise its level of provisioning might indicate that its domestic loan portfolio may not be as superior as suggested.

Leica seeks DM124m from share issue

By Sarah Althaus in Frankfurt

Leica Camera, the camera and optical group, plans to raise at least DM124m ($83.7m) through its new share issue this month, so joining the growing list of German small and medium-sized companies seeking capital on the stock exchange.

The group, arguably the most famous of the few remaining camera makers outside Japan, said yesterday that after the issue more than 70 per cent of its stock would be held by the public.

About 20 per cent would be held by Leica, the Swiss industrial group owned by Mr Stephan Schmidheiny, and the remainder by three directors of Leica Camera, including Mr Klaus-Dieter Hofmann, chairman. The issue would be preceded by a capital increase amounting to 700,000 new shares.

After a record 20 new German issues in 1995, there have been few offerings this year before the large Deutsche Telekom sale in November. The state-owned telecoms group is expected to raise DM15bn in one of the world's largest equity issues.

Leica Camera said it would issue about 3.1m shares by means of a book-building system – in which the interest of institutional investors is assessed in advance – lasting from today until September 11. The price range for the shares would be between DM40 and DM47. A "greenshoe", or over-allotment option, provides for a further issue of 450,000 shares.

The new shares are eligible for a full dividend for the year ending March 31 1997. Analysts from the consortium arranging the issue – led by Westdeutsche Landesbank and Union Bank of Switzerland – estimate a payout of between DM1 and DM1.20 for the current year.

Earnings per share are forecast at about DM3.25 this year and DM3 in fiscal 1997-98, said WestLB. Co-managers of the issue are Barclays de Zoete Wedd, Commerzbank, Trinkhaus & Burkhardt and Robert Fleming.

Leica, best known for its high-quality range-finder and single-lens reflex cameras, said proceeds would be used to develop new technologies and existing products. Funds would also be channelled into the restructuring of Minox, the loss-making microcamera maker acquired in April, and sales expansion in high-growth markets in Asia.

The group has forecast double-digit percentage growth in profits and sales this year. In the year ended March 31 1996, operating profits rose 15 per cent to DM16.5m. Overall sales climbed almost 5 per cent to DM240m, cameras accounting for more than half.

GEA sees static earnings for 1996

By Michael Lindemann in Bonn

GEA, the leading German process technology group, yesterday said its full-year 1996 net profits would be about DM111m ($75.1m), the level of last year's earnings, despite a 17 per cent rise in first-half sales.

The company declined to highlight any particular development for the apparent slowdown in earnings, saying only that the economy continued to be "subdued" and that there was strong competition in GEA's core markets of refrigeration technology, liquid processing and heating technology.

Sales during the first half rose 17 per cent from DM1.45bn to DM1.69bn, mainly because of the acquisition last year of Otto Tuchenhagen, the liquid processing specialist.

Adjusted for that purchase, sales rose only 4 per cent, but the Bochum-based group said that increase was likely to be exceeded in the second-half when business was traditionally stronger.

On a brighter note, the company said it expected to surpass "slightly" last year's record level of new orders, which totalled DM4.1bn.

Adjusted for acquisitions and disposals, new orders in the first six months rose 3 per cent to DM2.28bn.

Net debt grew to DM676m during the first half, up from DM515m at the end of last year, in order to finance the dividend, new acquisitions and restructuring costs. By the end of year, however, the company expected to see net debt below the level at the half-way stage.

Mr Otto Happel, the chief executive whose family still holds a majority stake in GEA, said the company's priority continued to be the consolidation of the existing operations following a period of rapid expansion in recent years. Further job cuts are planned at the group's plants in Germany and Brazil.

NEWS DIGEST

Aérospatiale sees profit this time

Aérospatiale, the French aerospace group, expects a "substantial positive" net result in 1996, a year earlier than it originally expected to return to the black, said Mr François Auque, financial director. The recovery, after a net loss of FFr981m ($194m) in 1995, would coincide with continuing falls in the level of debt and the restructuring plan launched by the former chairman Mr Louis Gallois.

The group reduced its debt FFr2.9bn to FFr3.6bn in the first six months, he said. For the full year, sales should be very slightly up on 1995, Mr Auque said. During the first half, new orders rose to FFr23.3bn, compared with FFr39.3bn for 1995 as a whole. Mr Yves Michot, chairman, said that in line with Aérospatiale's predicted improved profitability, he expected the planned merger with Dassault Aviation to take place in 1997 before the new entity was floated.

Mr Michot said the first information would be exchanged this week on valuations for the two companies. According to a projection by Aérospatiale, the merged company will have annual sales of around FFr60bn and a payroll of just over 50,000. Its shareholders' funds were expected to be around FFr7.4bn.

Separately, Aérospatiale said it had signed an agreement to buy back its automatic test business from Sextant Avionique. The activities generate sales of about FFr500m. No financial details were disclosed. The group also acquired Giravions Dorand Industries, which was in financial trouble. Giravions Dorand, which has sales of about FFr90m, specialises in simulators. It was collaborating with Aérospatiale, notably with its missile division.

AFX News, Paris

Iberdrola advances 18%

Iberdrola, the Spanish energy group, yesterday reported first-half net profits up 18.2 per cent at Pta48.68bn ($389m), on sales up 1.2 per cent at Pta404bn. Pre-tax profits rose 11.5 per cent to Pta67.6bn, while financial costs fell 13.5 per cent to Pta63.6bn. Iberdrola said group financial debt fell more than Pta92.6bn because of cash flow generated and the pending sale of 30 per cent of Hidroelectrica de Cataluna. Average interest rates on debt fell from 8.37 per cent in 1995 to 8.1 per cent.

Supply costs fell 4.4 per cent in the period because of a 132.2 per cent increase in hydroelectric output, fewer energy purchases from other companies and fuel consumption. Operating costs rose 2.2 per cent. Iberdrola said investment in plant in the first half stood at Pta32.8bn, of which 52 per cent went towards modernising and expanding electricity distribution installations.

AFX News, Madrid

Toll road use lifts Acesa

Acesa, the Spanish motorway group, yesterday posted first half net profits after minorities up 4 per cent from Pta10.56bn to Pta10.99bn ($88m). Pre-tax profits rose 5.7 per cent to Pta17.34bn on sales up 4.4 per cent to Pta25.8bn. Personnel costs rose from Pta3.87bn to Pta4.14bn, while financial costs fell from Pta1.52bn to Pta1.33bn

The rise in revenue reflected a 0.9 per cent increase in traffic using the group's toll roads and the rise in motorway tariffs in March, the company said. Acesa said provisions made to the government's tollway reversion fund were almost flat, at Pta2bn, in the first half. The tollway reversion fund was set up by the government for all motorway companies whose assets revert to the state at the end of the concessionary period. The motorway companies are obliged to make provision for this fund every year.

AFX News, Madrid

Glaverbel raises Czech stake

Glaverbel, the Belgian glass maker, said it had raised its stake in its Czech unit Glavunion from 73 per cent to 100 per cent, in a deal valued at about BFr1.1bn ($36m). Glaverbel had increased its stake in Glavunion from 40 per cent in the initial March 1991 privatisation to 51 per cent in July 1991, 67 per cent in June 1992 and 73 per cent in July 1994, the company said.

The latest operation has been part-financed by the recent transfer of Glaverbel's stake in AFG Industries to Glaverbel's majority shareholder Asahi Glass, it said. Glavunion restarted last month one of two float glass lines, which had been shut down since February for repair, installation of advanced technology and increasing capacity to 600 tonnes a day from 310 tonnes, it said.

"This boost to the plant's performance will further strengthen the profitability of Glavunion's activities and reinforces its position as leader in the market for float glass in central Europe," it said.

"With these new advantages, Glavunion is poised to draw full benefit from growth in central Europe, and should contribute substantially to the expansion of the group's results in the near future," it said.

The company said the move was positive for Glaverbel but would not give figures on Glavunion's current contribution to the group's results. In 1995, Glavunion made a net profit of Kč135m ($5.2m), on sales of Kč5.2bn, up from Kč4.2bn in 1994, the company said. The company noted that forecasting car and construction markets in central and eastern Europe was much more difficult than two years ago.

AFX News, Brussels

Tractabel unit in French deal

Tractebel Engineering, a subsidiary of Tractebel, the Belgian energy group, has purchased a 25 per cent stake in the French engineering firm Geostock, which designs, builds and operates underground storage facilities for hydrocarbons. Geostock has annual sales of BFr840m ($27.6m), 20 per cent of which is earned outside France. It employs 200 people. The other 25 per cent shareholders are Elf Aquitaine, Total and BP France, Tractebel said.

"This purchase further broadens the Tractebel Engineering know-how concerning gas storage, and offers new international development opportunities for Tractebel business units active in the field of gas," it said. "The worldwide increased use of gas should lead to a greater demand for storage capacity, and, therefore, a greater call for the type of expertise offered by Geostock," it said.

Tractebel officials were not available to comment further on financial details. A Tractebel executive said the stake in Geostock was being bought from Shell France but that the price was not being disclosed.

Geostock was a profitable company, the executive said, but could not provide figures. Tractebel had previously had a technical co-operation agreement with Geostock, he said.

AFX News, Brussels

Pharmacia sets stake sale date

Pharmacia & Upjohn, the London-based drugs group, said it had agreed to the sale of its 10.1 per cent stake in Huhtamaeki, to Huhtamaeki's Dutch financing unit at the price of FM170 per share. The transaction would be completed on September 5, it said. *AFX News, Stockholm*

Sales slip at Kaufhalle

Kaufhalle, the German retailer, said sales fell 4.9 per c[illegible] in the six months to June, from DM1.09bn to DM1.04b[illegible] ($703m). Retail sales in east Germany fell 18.6 per cen[illegible] DM116.7m, with the declines mirroring the unsatisfa[illegible] situation of the inner city sites there. The company expected to break even in the full year.

AFX News, C[illegible]

Outokumpu cautions on 1996 earnings

By Hugh Carnegy in Stockholm

Heavy falls in world steel and copper prices in recent months yesterday forced Outokumpu, the Finnish mining and metals group, to warn that its earnings this year would be significantly below its record FM1.5bn ($330m) profit in 1995.

News that the outlook had deteriorated since June, when Outokumpu revealed a 60 per cent fall in profits during the first four months, alarmed investors and prompted a sharp drop in the group's share price.

The shares fell FM5.50 to FM79 before recovering to close down FM3.40 on the day at FM81.10.

Outokumpu, which is 40 per cent owned by the Finnish state, said the second four-month period – in common with many Finnish companies, the group reports three times a year – would be significantly weaker than the first four months, when pre-tax profits slumped to FM305m.

"Although the financial development is expected to improve somewhat during the rest of the year, the group's result for the whole of 1996 will, in light of the current outlook, be significantly weaker than the previous year," the group said.

It laid much of the blame on a 40 per cent fall in stainless-steel prices since early 1995, adding that prices were now 20 per cent below levels in the early part of this year.

Stainless steel operations account for about 30 per cent of Outokumpu's FM17bn annual group sales.

The profit weakness was also put down to a fall in copper prices from $1.20 per lb to $0.90 per lb, caused in part by market worries over the big losses suffered by Japan's Sumitomo Corporation futures trading.

Most of Outokumpu's production – an integrated operation from mining to manufacture – is hedged at prices above these levels, but the group said there was an inventory loss in the second four-month period of FM150m, caused by the lower market prices.

A third factor to hit Outokumpu was a second write-down against its Forrestania nickel mine in Australia. The FM150m provision will be made in the second four-month period.

Reserves at Forrestania have proved to be significantly lower than the 4.2m tonnes originally estimated. Outokumpu had already made a FM160m writedown in the last four months of 1995.

Outokumpu

Year end	Pre-tax profit FM bn	EPS FM	P/E	CEPS FM	P/CEPS	DPS FM	Yield %
1995	1.49	8.3	9.5	21.3	3.7	1.80	2.3
1996E	1.23	6.2	12.7	14.6	5.4	1.80	2.3
1997E	1.91	9.2	8.1	17.6	4.5	2.00	2.5
1998E	2.03	10.3	7.7	18.2	4.3	2.20	2.8

Source: UBS

Cofinec blames Hungary market for profit slide

By Virginia Marsh in Budapest

Managers from a central European packaging group will have some explaining to do when they meet institutional investors in London in coming days.

Since the group, Cofinec, went public less than three months ago in one of the former Eastern bloc's largest ever share issues, it has posted disappointing first-half results and its shares have fallen about a quarter.

An international offering in June for about half the company – considered one of the region's first homegrown multinationals – raised about $90m after eliciting gross demand of $690m, a record for an east European offering.

However, since last week's announcement of first-half results sharply below market expectations, the company's Global Depository Receipts on London's Seaq have fallen $4 to $31. The GDRs, also listed on the Budapest Stock Exchange, were launched at $42.30, or Ft6,425 and initially rose to over $48 or Ft7,300.

The France-registered company, which operates four packaging plants in Hungary, the Czech Republic and Poland, said that consolidated net profit in the first half slumped to FFr2.1m ($415,000), from FFr10.3m in the same period last year, on net sales of FFr336.5m, slightly up from FFr327.5m.

Previously, the company, which was set up in 1989 by Mr Carlo De Benedetti, the Italian industrialist, had experienced rapid growth.

An information memorandum had predicted net profit of FFr37m on net sales of about FFr800m for the year.

Management at Cofinec blamed the poor performance primarily on an unexpected economic downturn in Hungary, which meant orders fell at Petofi, the larger of its two Hungarian subsidiaries that normally accounts for about 55 per cent of group turnover.

Analysts said the group had also been affected by other problems that it should have anticipated, such as high levels of expensive stock at a time of falling paper prices and delays in bringing onstream its greenfield plant in Poland.

Cofinec has yet to issue a revised 1996 forecast but said the outlook for the second six months was more encouraging.

The Polish plant, it said, would begin to contribute to turnover, while economic conditions were expected to improve in Hungary, and interest expenses would fall about FFr6.6m as a result of reduction in debt.

Sale of Magyar Hitel Bank starts

By Virginia Marsh

Hungary yesterday launched a closed tender for the sale of an 89.3 per cent stake in Magyar Hitel Bank, one of the last large state-owned banks to come up for privatisation.

APV, the privatisation agency, declined to disclose which international banks it had invited to tender for Hungary's fifth-largest bank in terms of assets.

However, Austria's Creditanstalt and ABN Amro, two of the most active western banks in the former eastern bloc, are seen as front-runners.

MHB, once one of the country's most troubled banks, has undergone a remarkable turnround since the appointment of Mr Zsigmond Jarai as chief executive in March 1995. The bank, which had assets of Ft260bn ($1.72bn) at the end of last year, posted better-than-expected first-half results, including post-tax profit of Ft2.7bn. It had predicted post-tax profit of about Ft4bn for the full year, up from Ft1.4bn last year, when Mr Jarai began a radical restructuring plan.

In the first half of this year, the bank's capital adequacy ratio improved to 14 per cent from a little over 11 per cent in 1995. APV, which is being advised on the privatisation by Barclays de Zoete Wedd, the UK investment bank, hopes to close the sale by the end of the year. Bids are due in 45 days.

SPT seeks humility to cope with deregulation

After surviving crisis, the Czech telecoms operator will next face competition, says **Vincent Boland**

Eighteen months ago, SPT Telecom was a company in crisis. Morale at the Czech telecommunications operator was at an all-time low, its chief executive had been dismissed, and its imminent alliance with a foreign partner faced strong opposition.

Now SPT is earning bumper profits as revenues expand; last month it reported first-half pre-tax profits of Kč4.5bn ($173.5m) on revenues of Kč15.1bn, and analysts expect full-year revenues to exceed Kč30bn for the first time.

It is a stock market favourite and the biggest listed company on the Prague stock exchange.

This summer the company raised $750m in a syndicated loan with a consortium of international banks. Most importantly, its alliance with the Dutch/Swiss consortium TelSource, which in June 1995 paid $1.45bn for a 27 per cent stake in SPT, appears to be working well, despite a legal challenge from die-hard proponents of the "Czech way" of privatisation, which would exclude foreign investors from strategic companies.

It has even managed to count the number of people waiting for a new telephone, and Mr Bessel Kok, SPT deputy chairman, has promised they are the highest priority.

While much of the credit for this transformation lies in the arrival of TelSource, which paid $1.45bn for its stake in June last year, the man who has to make a success of the delicate cultural fusion now under way is Mr Svatoslav Novák, SPT chief executive.

Mr Novák, 37, says the most difficult part of his job has been to explain to SPT's 26,000 employees why the link with a foreign partner was necessary: to give SPT greater access to international capital to finance its $5bn modernisation drive, improving services and marketing, and making the company more responsive to customers.

"I'd love to be able to say it was clear to everybody," Mr Novák says. "It's not something you can do overnight."

The entry of TelSource means SPT now has a multinational executive board. Mr Novák and the company's technical development director, Mr Michal Cupa, are Czech; the deputy CEO, Mr Kok, is Dutch; the finance director, Mr Urs Kamber, is

Svatoslav Novák: looming competition concentrating minds

Swiss; and the trade and marketing director, Mr James Hubley, is American. A Briton, Mr Lyall Davidson, is entrusted with making sure that – metaphorically – they all speak the same language.

Mr Novák took up his position at the start of 1995, moving from the economy ministry, where he was deputy minister in charge of telecommunications. He replaced Mr Jiří Makovec, who was removed ostensibly for irregularities in the granting of SPT contracts but in reality because he opposed SPT's sale to a foreign investor.

Mr Novák arrived at SPT at "a very emotional time". A raging debate on its privatisation had bred fear and mistrust among staff, and the company was increasingly under attack from a public fed up with its famously terrible service.

Today the attacks are dying down, but SPT, like any company with a virtual monopoly, is still vulnerable to hubris. It must meet the stiff targets set by the government for expansion of the network – more than 250,000 lines remain to be installed in the second half of this year – or face financial penalties.

If it does meet all its targets, SPT stands to gain from the regulatory regime put in place to coincide with its privatisation. The regime runs to 2000, after which price rises for services will be worked out by a government formula. This mix of incentives and penalties "means our motivation [for meeting targets] is higher," Mr Novák says.

Casting off its monopolist's image could prove one of the most difficult tasks. While there is some competition from independent operators, it retains its monopoly of basic services to the end of the decade.

Some observers also query the free-market credentials of TelSource's owners, PTT Telecom Netherlands and Swiss Telecom, both monopolists in their home markets. The consortium is backed by AT&T, which provides technical support, and Mr Novák says that "it is true that the free market experience is coming mainly from the US side, from AT&T".

Nevertheless, there is a general view that the alliance between SPT and TelSource is shaping up to be one of the Czech Republic's most successful privatisations. Mr Novák says the scheduled arrival of rivals in its market early next decade is concentrating minds more than anything else.

"What we want is to prepare SPT for competition," he says.

COMPANIES AND FINANCE: INTERNATIONAL

Charges hit Mayne Nickless

By Nikki Tait in Sydney

Higher interest charges and a flat trading performance led Mayne Nickless, the Australian transport and healthcare group, to announce a 32.8 per cent drop in profit after tax but before abnormal items in the year to end-June, a result it labelled "unsatisfactory".

The company made net profits of A$85.1m (US$67.3m), compared with last year's A$126.8m. Before interest and tax, profits were largely unchanged at A$180.3m against A$180m, on sales down by 2.8 per cent to A$2.92bn.

However, after net abnormal charges of A$73.4m – up from last year's A$47.6m; and mainly reflecting losses on asset sales and a goodwill write-off on the Benelux-based logistics operation – Mayne's bottom line profit tumbled to just A$11.6m, compared with A$79.2m previously.

Apart from abnormal charges, much of the damage was due to higher interest charges, which rose from A$2.38m a year ago to A$47.6m. This reflected the full interest cost of Mayne's investment in Optus Communications, the telecoms group, and its acquisition of the Australian Medical Enterprises business.

Mayne has already said it would sell its 24.9 per cent stake in Optus when the telecoms group floats on the stockmarket later this year. This is expected to raise about A$1bn for the company.

On the operational front, the group said its healthcare division, boosted by acquisitions, made A$69.4m before interest and tax, up by 46.6 per cent. Revenues were A$520.8m.

However, on the express delivery side, operating earnings slumped by 19.5 per cent to A$48.4m, as costs rose and margins declined, and on the contract logistics front earnings also fell, by 10.4 per cent to A$64.5m. Mayne said the latter result reflected problems at its Heijden unit.

Looking forward, the group said it expected an upturn in trading profits in the current year and did not foresee any large write-offs. "Pre-abnormals, we are expecting an improvement," said Mr Bob Dalziel, managing director.

● Ocean Resources, the Australian mining group, has signed a joint venture deal with South African diamond producer Trans Hex International for its Sunda Shelf offshore diamond project in Indonesia, AFX-Asia reports from Perth.

Weak metal prices add to setback at North

By Nikki Tait

Profits at North, the Melbourne-based resources group, fell to A$111.9m after tax in the year to end-June, compared with A$116.4m a year ago, with the company blaming weaker metal prices and volatility in the pulp and paper industry for the result.

The result was achieved on sales marginally higher overall, at A$1.08bn (US$854m) compared with A$1bn last time and came after an abnormal charge of A$11.9m. Total operating profit, before interest, tax and abnormals, was slightly higher than last year's A$271.1m at A$290.7m.

One of the strongest performances came on the uranium mining front, where North's share of earnings from its 68.4 per cent-owned Energy Resources of Australia unit were up from A$39.1m to A$60.8m. This reflected higher sales and "significantly increased" spot prices.

The copper/gold unit also posted an improved profit of A$10.5m against A$6.5m, while the gold interests turned in A$35.8m compared with A$20.6m, due to higher production at the Kanowna Belle and Peak Hill mines.

The large Robe River iron ore interests – in which North holds a 65 per cent stake – made a reduced contribution of A$109.4m, compared with last year's A$118.8m, as sales softened. There was also a A$2.6m loss for the newly acquired Swedish zinc business; while the forest products division saw earnings fall by 25 per cent, to A$35m. North said it was adversely affected by the former Labor government's restrictions on woodchip exports.

Warman International, the equipment division, made A$37.6m compared with A$36.1m.

North said it expected some improvement in the woodfibre market, and the zinc price, plus continuing strength on the uranium front. But it warned the iron ore market would probably remain flat. It also noted projects in the pipeline and said it expected "improved profit growth over the coming years" as these come on stream.

North shares gained seven cents to A$3.84.

Strong NZ dollar behind fall at Air New Zealand

By Terry Hall in Wellington

The strong New Zealand dollar severely eroded Air New Zealand's profits in the year to June 30, and was the main reason for the company reporting a fall in after tax profits to NZ$225.2m (US$155.5m), down 13.4 per cent from last year's record NZ$260.2m.

Directors said that while international passenger revenues rose by 3.9 per cent to NZ$2.09bn, the stronger currency reduced overseas receipts by about NZ$100m. Most of the increased traffic originated from the British and European markets.

Directors said the group's prospective investment in Ansett Airlines of Australia might provide stronger growth in the current financial year. However, they noted that intense competition was likely on the Australian domestic and international air transport routes.

In their review of the past financial year, directors said that competition intensified in the second half and fare discounting became severe, especially between Australia and New Zealand. Growth in international passenger traffic to New Zealand from key markets in the US, Japan and Germany, was below expectations.

The ongoing series of volcanic eruptions of Mount Ruapehu, in the central North Island, and the air traffic controllers' industrial disputes, were other negatives.

The airline increased available seat kilometres on international routes by 16.7 per cent to 26.9bn and carried more than 3m passengers on its international network, a 10 per cent rise. Cargo increased 19.1 per cent to 691.7m tonne kilometres.

Tax in the past year was NZ$26.1m, against NZ$26.5m. Operating expenditure rose 6.5 per cent from NZ$2.57bn to NZ$2.77bn. Shareholders' funds were NZ$1.4bn, an increase of NZ$122.2m. Total assets rose by NZ$27.6m to NZ$3.13bn.

The group's debt to total equity ratio was 41.4 per cent, compared with 46.4 per cent.

Directors are proposing a final dividend of 12 cents a share for an unchanged total of 20 cents, or 39.4 per cent of consolidated net profit.

TNT seals Ansett stake deal

TNT, the Australian transport group, said yesterday that the long-planned sale of its 50 per cent interest in Ansett, the Australian carrier, to Air New Zealand had been formally signed, and should generate a A$325m (US$257m) cash payment to TNT. The deal remains subject to approval from Australia's Foreign Investment Review Board and shareholders of Air New Zealand, writes Nikki Tait.

TNT added that it had also reached an agreement with Mr Rupert Murdoch's News Corporation under which News will pay TNT up to A$75m if it sells its 50 per cent stake in Ansett before 2003. Payment will be on an agreed formula and TNT may receive some money from News, based on the future profitability of Ansett, even if the media group does not fully dispose of its holding.

Separately, TNT said it had sold the bulk of its Brazilian road transport operations, although it will retain a 20 per cent interest. Details of the transaction were not disclosed. TNT said they were not material.

Intel claims record sales growth for Pentium Pro

By Paul Taylor

Sales of Intel's Pentium Pro microprocessor, introduced late last year, have grown faster than any previous microprocessor generation, according to the US chipmaker.

Based on figures from International Data Corporation, the market research company, sales of Pentium Pro processors in western Europe will reach 288,000 units in current quarter – the fourth quarter since introduction – compared with sales of just over 40,000 at the same stage for *Intel's* previous microprocessor generation, the Pentium.

"The Pentium Pro processor is by far the fastest ramping Intel microprocessor generation," said Mr Ian Wilson, Intel's European technology development officer. "The ramp up in demand gets faster with each new generation."

Intel claims sales have been boosted by several factors including the adoption of next generation 32-bit personal computer operating systems such as Microsoft Windows 95 and Windows NT, falling prices, and a new emphasis on PC "manageability".

The real performance gains available from the Pentium Pro only become apparent when a PC is running a 32-bit operating system, so the marked trend among corporate users towards Windows NT in particular has *helped accelerate* Pentium Pro sales – Microsoft has just launched a new version of its NT operating system.

Meanwhile Intel, facing new competition from rivals such as Cyrix, has cut the price of its new microprocessors aggressively. The cost of an 180MHz Pentium Pro chip has been cut from $1,075 at launch to $472 last month, and further cuts are expected in November. The price of dynamic random access memory (Dram) chips has also plunged.

"As a result of these factors, we have seen the availability of $2,500 PCs [based on the latest microprocessor chip generation] in record time," said Mr Wilson.

While it took Pentium-based PCs five quarters to reach this price level, Pentium Pro-based machines were selling for $2,500 or less within nine months.

Crucially, Intel also claims that because of a number of built-in features, Pentium Pro-based PCs are easier and cheaper to maintain.

"The Pentium Pro generation brings workstation-class performance and true multitasking to the user's desk and lets network managers reduce the total cost of ownership," said Mr Wilson.

NEWS DIGEST

Marubeni in deal with Motorola

Marubeni, the Japanese trading house, and Motorola, the US high technology group, are setting up a joint venture company in Japan to provide PC network services through cahla TV.

The new company, which will develop multimedia contents, will be 60 per cent owned by Marubeni, 30 per cent by Motorola, and 4 per cent by Fuji Bank. It will use the cable network of Japanese cable TV companies to provide interactive services currently available through PC networks, including high-speed Internet services, games and information services. The service will initially be provided through a cable TV company affiliated with Marubeni.

Demand for Internet and other PC services has grown rapidly in Japan in recent years, hut the market for cable TV has been slow to develop. By offering PC services through the cahle network, which has the capacity to carry substantially more additional data than broadcast programmes at significantly faster speeds, Japan's cable TV companies, most of which are struggling to make profits, could make better use of their infrastructure.

At the same time, the use of cable TV could provide subscribers with faster connection and better quality graphics than is availahle on the PC services that use a telephone line. Marubeni expects other companies, such as NTT Data, to invest in the joint venture later and hopes to have 50,000 households subscribing to the service within five years. *Michiyo Nakamoto, Tokyo*

Green Cross to retrench

Greeo Cross, Japan's leading manufacturer of blood products, said it would launch a restructuring programme as a result of its compensation payments to haemophiliacs who were infected by HIV through its untreated hlood clotting agents.

The company expects to post recurring losses of more than Y5bn ($46m) for the current year due to compensation payments of Y24bn, and has asked Sakura Bank, its leading creditor, for financial aid.

Green Cross plans to close two of its four plants by 2000 and sell the land. It will reduce its workforce by 400 to 2,000 over the next three to four years through attrition and by shifting employees to subsidiaries.

The company is also likely to be hit further as many medical institutions have halted distributing its products as a result of its involvement in the HIV situation. *Emiko Terazono, Tokyo*

Southcorp edges ahead

Southcorp, the Australian packaging, wine and appliance group, yesterday announced a small increase in after-tax profits to A$118.2m (US$93.5m) for the year to end-June. This compared with A$115.2m in the previous 12 months. Both figures were struck before abnormal items; after these, Southcorp's bottom-line result improved from A$64.5m to A$123.5m. Sales for the year were 8 per cent higher, at A$2.55bn.

The small profits advance was largely due to strong growth in the wine division – Australia's largest single wine business. Here, sales rose by 12.6 per cent to A$447m, while pre-interest profits increased by 31.4 per cent to A$90m. The packaging business also posted a 9.3 per cent sales gain at A$1.1bn, with pre-interest earnings advancing 15 per cent to A$132.1m.

On the appliance side, however, earnings before interest were down 27.8 per cent at A$37.3m, with low demand in Australia blamed for the shortfall. Southcorp added that its US water heater business stayed in the red, although the deficit in the second half was the lowest since its acquisition. Appliance sales rose 5 per cent to A$865m.

The company said that, barring any "significant" downturn in the Australian and US economies, it would be looking for further earnings improvement this year. *Nikki Tait, Sydney*

QBE advances to A$123.3m

Shares in QBE, the Australian general insurer, rose almost 4 per cent yesterday after the company announced an after-tax profit of A$123.3m (US$97.6m) in the year to end-June. The figure is calculated on the "directors' preferred accounting basis" – which spreads investment gains and losses over seven years – and compares with A$107.1m in the previous year.

Under conventional Australian accounting practice – which takes unrealised and realised investment gains or losses in the year incurred, with no attempt at smoothing – QBE would have made a profit of A$147.3m.

QBE said that its gross premium income was up from A$1.36bn to A$1.5bn, and that combined operating ratios had been at the lowest level for 23 years. Profit from Australian operations had been helped by higher premium rates and legislative changes for compulsory third party motor insurance in New South Wales, while the group also saw "notable profits" in Singapore, Malaysia and New Zealand.

"There is clear focus in our planning for further Asian development, as this region continues to produce outstanding growth for QBE," the group said. QBE also indicated that it remained on the look-out for acquisitions and could spend about A$400m in the right circumstances, although discussions to date have faltered over price. Its shares gained 25 cents to A$7.85 after the results. *Nikki Tait*

Metallgesellschaft in China

Metallgesellschaft said its Sachtleben Chemie unit has formed a joint venture with China's Guangzhou Huali Pigment Industrial Co to produce the white pigment Lithopon. Sachtleben will hold 40 per cent in the venture, to be called Guangzhou Huali Sachtleben Chemicals, while Guangzhou will hold the remaining 60 per cent.

The joint venture will employ 900 people and will have a yearly capacity of 50,000 tonnes of Lithopon, with operations due to start at the beginning of 1997. Sachtleben Chemie will provide know-how and capital and will market the pigment outside China.

The venture is part of the relocation of Lithopon production from Germany to China. The resulting spare capacities will be used to expand production of other zinc and barium products. Sachtleben Chemie is 100 per cent owned by Dynamit Nobel, which is Metallgesellschaft's 71.4 per cent-owned umbrella company for its chemicals activities. *AFX News, Frankfurt*

Orchard Parade up at midway

Orchard Parade, the Singapore hotel and property group, saw pre-tax profit rise from S$15.9m to S$18.9m (US$13.4m) for the six months to June 30. Sales jumped from S$36.24m to S$224.93m, as a result of the inclusion of Yeo Hiap Seng's turnover of S$105m, and a change in its method of recognising property development profits.

At the company level, turnover fell 2.5 per cent to S$13.11m, against S$13.45m a year ago. Net profit before extraordinary items declined even more sharply, falling 64 per cent to S$1.11m. Company level pre-tax profits also fell from S$6.47m to S$5.05m, a 21.9 per cent decline. "This was mainly due to the continuing competition faced by the hotel's food and beverage outlets and increasing operating costs," the company said.

It said it expected performance at its hotel division to be satisfactory for the year. However, earnings at its newly-acquired Yeo Hiap Seng subsidiary will continue to be pressured by difficult trading conditions in China and Singapore. Orchard Parade said it has adopted the more conventional "percentage completion" accounting method in recognising the profits of its real estate developments. *AFX Asia, Singapore*

First Pacific upbeat on year

By John Ridding in Hong Kong

First Pacific, tha Hong Kong-basad conglomerata controlled hy the Salim group of Indoneaia, yesterday announced net profits of HK$706.2m (US$91.5m) for the first half of the year, a decline of 30 per cent over the same period in 1995, as a fall in exceptional gains outweighed a strong underlying performance.

Mr Manuel Pangilinan, managing director, expressed satisfaction with underlying growth which saw profits before exceptional items rise hy 30 per cent to HK$708m. He struck an optimistic note about prospects, predicting increased growth in earnings per share in the second half.

In the first half of last year net profits were boosted by exceptional gains of HK$482m from the sale of shares in group subsidiaries. No exceptional gains were recorded in the latest period, while earnings per share were eroded by a US$200m share placement last September.

Excluding exceptional gains, fully diluted earnings per share rose by 13.6 per cent to 29.95 cents – an increase in line with expectations according to Mr Adrian Faure, conglomerates analyst at Merrill Lynch in Hong Kong.

The first half result was driven by the group's telecoms activities, which raised profits from HK$150.1m to HK$261.4m. Increased competition in the mobile telecoms market in Hong Kong is expected to limit growth and has already slowed subscriber volumes. But Mr Pangilinan predicted a continued strong performance by the group's Smart Communications operation in the Philippines.

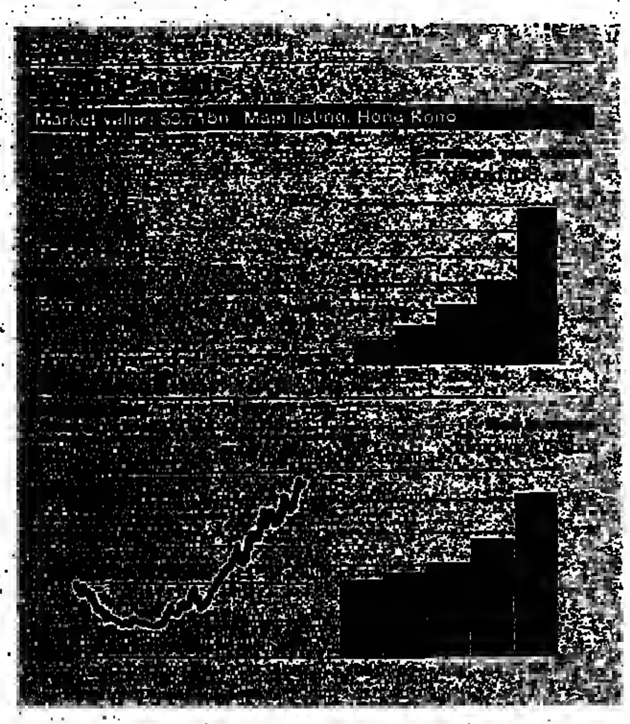
The flotation of Smart on the Philippine stock market, which was announced last month, is expected to take place by the beginning of 1997.

First Pacific cited a robust performance in its marketing and distribution companies, which contributed a combined result equivalent to about half of group profits. In Europe, Hagemeyer schieved nat profits of Fl 111.3m ($67.18m), a rise of almost 60 per cent.

The company's banking arm also saw a strong rise in earnings, with first-half profits rising by 46 per cent to HK$150m on the back of loan growth and improved spreads between prime lending rates and money market rates.

First Pacific Davies, the group's real estate arm, saw profits fall by 41 per cent to US$7.9m as the division was hit by a reduction in disposals. This was offset by a strong performance in property services, including a 19 per cent rise in the contribution from Guardforce.

Tha first half result was achieved on turnover of HK$24.77bn, a rise of almost 45 per cent. First Pacific declared an interim dividend of 9 cents, compared with 7.5 cents for the comparabla period.



Pressure on margins prompts 11% fall in Amcor profits

By Nikki Tait in Sydney

Fluctuating paper prices and lower levels of business activity in its home market have led Amcor, the Australian paper and packaging group, to post an 11.6 per cent fall in after-tax profits in the year to end-June, et A$356m (US$281m).

The result follows sales down from A$6.6bn to A$6.42hn, and translates into a slightly larger fall in earnings per share, at 56.6 cents (fully-diluted) compared with last time's 65.5 cents.

The figures are struck before abnormal charges. These declined during the year, to A$17.2m, compared with last year's A$42.9m, leaving Amcor's bottom-line profit 5.8 per cent lower at A$338.8m.

The company said the figures were slightly distorted hy the "deconsolidation" of the Spicers Paper unit, as Amcor's holding in the group reduced. Adjusted for this, sales were up by about 11 per cent, although profits after tax and before abnormal items were still 10 per cent lower.

The company said the "combination of unrelenting pressure on margins in the Australian and New Zealand packaging businesses and the lower overall level of business activity in Australia added up to a very difficult trading environment".

On tha containers packaging side, salas were 23.6 per cent higher, but pre-interest profits fell 1.9 per cent. Fibre packaging saw a 7.1 per cent sales gain; but earnings fell sharply by 18.6 per cent, to A$129.9m, with the German Holfelder unit making a further loss.

The Amcor Paper Group fared strongly in the first half-year, and managed to hold on to a small profits gain – up from A$239.6m to A$241.4m – in the 12 months. The merchanting and trading activities posted a 83 per cent drop in profits, at A$21.3m, hurt by tha fall in paper prices in the second half.

The company said the difficult trading conditions had continued into the current financial year.

Amcor shares closed 12 cents lower at A$7.62.

Group lifts pre-tax line 8% before exceptionals as turnover remains static due to disposals

Asian growth lifts Burmah Castrol

By Jenny Luesby

Burmah Castrol lifted first half pre-tax profits by 8 per cent in a stagnant world lubricants market, owing to growth in Asia and the rise of super lubricants such as Pure Racing, sold for $25 a litre.

The group yesterday announced pre-tax profits, excluding exceptionals, of £125.9m ($196.40), up from £117.1m. The pre-tax line rose from £117.1m to £149.1m.

Operating profit rose from £130.8m to £136.6m: all divisions increased their profit.

The disposal of fuel operations in Turkey, Chile and Sweden generated £89m in cash, and exceptional gains of £23.2m.

This lifted interest cover to 12.8 times, and reduced gearing to 28 per cent, against 54 per cent last time.

However, Mr Jonathan Fry, chief executive, said the group had no immediate plans to make a large acquisition, or to repay the surplus cash to shareholders. With just 10 per cent of the group's business now based in the UK, a special dividend would draw a heavy tax penalty, he said.

As a result of the disposals, turnover was static in the first half, at £1.53bn. Lubricants, which account for 65 per cent of group sales and 75 per cent of operating profits, saw earnings rise by 7 per cent on sales volumes up 3 per cent.

Mr Fry said there had been a sharp deterioration in market conditions in Europe, especially Germany. In North America, sales were being constrained by new technology that was extending the life of lubricants.

However, margins improved in both markets through increased sales of up-market synthetic lubricants which sell for four times the price of standard lubricants.

In Asia, lubricants sales volumes rose by 10 per cent, but margins were depressed by expansion costs, associated with new plants in India and Singapore.

In the speciality chemicals business, which accounts for 27 per cent of sales and 24 per cent of operating profits, earnings rose by 7 per cent on sales up 2 per cent.

Earnings per share rose by 10 per cent to 32.8p (29.7p) without exceptionals, and 41.7p with them.

The group declared an interim dividend up 9 per cent to 12p (11p).

ICS Corp bought by Hays for £65m

By Geoff Dyer

Hays, a business services group, has strengthened its position in the UK business mail market by buying ICS Corporation for £65m ($101m).

The cash consideration involves Hays rapaying ICS's net borrowings which amount to £64.3m.

ICS was the subject of a £78m management buy-out from its private owners in January 1995, backed by 3i, the venture capital company. However, operating profits fell from £5.5m in 1994 to £3.5m in the 11½ months to December 31, after the management team expanded operations.

Mr Ronnie Frost, chairman of Hays, said the group first approached ICS four years ago, and then again six months ago, after the fall in ICS's profits.

Mr Frost said one-third of the ICS operations would be merged with Hays Document Exchange, the overnight mail service, while the rest would be integrated into Hays Express Services, the parcels business.

ICS, which handles about 800,000 items a night, would give Hays a presence in the insurance and optical health markets.

Hays closed unchanged at 458p.

Brendan Corr

Riding high on the privatisation ticket: Robert Wood sees extra sales coming Henlys' way

Henlys shares fall 6%

By Simon Kuper

Shares in Henlys dropped 35p to 625p after the motor, bus and coach group said that its margins could fall due to the enhanced buying power of newly enlarged UK bus operators.

Tha group was presenting a 49 per cent rise in pre-tax profits to £17.1m ($27m) for the first half of the year. Sales increased 7 per cent to £244m.

Most of the profits growth came from Prévost Car, the Canadian coach maker it acquired last year.

Mr Robert Wood, chiaf executive, said the group aimed to buy more foreign coach and bus manufacturers soon.

Operating profits in the bus and coach division rose 77 per cent to £14.4m on sales 17 per cent up at £70.6m. Henlys delivered 15 per cent more buses and coaches despite a 2 per cent fall in the market, Mr Wood said. Luxury coaches and "Midi" buses had performed particularly well.

He axpected the double-decker bus market to double soon to about 800 units a year. "With the privatisation of London bus routes, many operators tendering are offering brand new vehiclea," he said. "Some of the buses out there now are 35 to 40 years old."

However, motor operating profits were static at £4m. "The market for new cars has been extremely competitive and our margins have been under pressure."

The group is moving away from voluma cars into speciality and luxury vehicles.

Volumes rose about 5 per cent during last year, but, with margins sqneezed, earnings would be "broadly in line" with 1995.

The interim dividend rises a quarter to 5p, payable from earnings per share 35 per cent ahead at 21.4p.

Bunzl rises 12% despite sharp drop in prices

By Geoff Dyer

Bunzl withstood sharp drops in the prices of paper and plastics to record a 12 per cent increase in first half pre-tax profits.

Shares in the paper and plastics group rose 3¾p to 243½p after it reported pre-tax profits of up from £50m ($78m) to £55.8m in the six months to June 30, with margins rising from 5.8 per cent to 6.3 per cent.

Turnover was 1 per cent higher at £887.5m (£879.5m) reflecting lower prices, while profits would have been only 6 per cent higher without the £1.5m contribution from acquisitions and a £1m reduction in the interest charge to £400,000.

Mr Anthony Hahgood, chairman, said thet prices of paper and plastics would probably rise, but ha added that the outlook was still very uncertain and thet any increases would be from low levels.

The paper and plastic disposahles division – the group's largest – improved profits hy 5 per cent to £33.5m (£31.8m) despite flat sales, which Mr Habgood put down largely to tougher cost control.

The improvemant cams despite a drop in profits at the paper conversion husiness which was hit by falling prices.

Profits at the fine paper business were static at £9.8m. Destocking led to reduced profits in Germany and Italy, but this was compensated for by increased profits in the UK, which benefitted from its high level of "just-in-time" deliveries.

The filters and tapes division increasad profits to £9.9m (£7.4m), helped by the acquisition of P.P Payne, which makes adhesive tape. Profits from plastic products rose to £8m (£7.3m).

The interim dividend is up 10 per cent at 2.2p (2p), which is payable from earnings 9 per cent higher at 8.1p (7.4p).

42% rise at Singer & Friedlander

By John Gapper, Banking Editor

A strong performance in its stockbroking and fund management businesses gave Singer & Friedlander Group, the independent merchant banking concern, up, a 42 per cent rise in underlying interim pre-tax profits from £14.8m ($23m) to £21m.

The group, which owns the UK broking firm Collins Stewart, and Carnegie, which is the second largest Scandinavlan brokar, achieved a 41 per cent rise in earnings per share before exceptional items from 4p to 5.64p.

Basic earnings rose from 4.66p to 5.84p.

The interim dividend for the half-year to June 30 is raised by 16 per cent from 1.6p to 1.85p.

Mr Anthony Solomons, chairman, said that the results were due particularly to good earnings from fund management activities.

The biggest upset in the figures was a loss of about £1m on Peoples Phone, a distributor of mobile telephones in which the company holds a 35 per cent stake.

This was due to poor trading and a change in accounting treatment.

Profits from merchant banking, including corporate finance, were etabls at £4.8m.

Mr Solomons said it was trying to shift towards providing advice for larger companies in order to get larger underwriting and advisory fees.

He strongly denied that there was any substance in recent market rumours thet Singer & Friedlander might seek purchase by a large continental bank.

Mr Solomons said it wanted to continue its strategy of independence.

Profits from stockbroking rose from £7.4m to £12.8m. This included some trading profits from market making in smaller company shares in the UK, but Mr Solomons said risks were carefully controlled in both the UK and Scandinavia.

Profits from fund management rose from £2.1m to £5.6m, with funds under management rising 56 per cent from £3bn to £4.7bn.

NEWS DIGEST

Smith & Nephew in $44m buy

Smith & Nephew, a UK-based healthcare company, yesterday announced a £28m ($44m) purchase of the fracture splinting business of Parker Medical Associates Partnership.

Based in Charlotte, North Carolina, Parker made operating profits in 1995 of £2.2m on sales of £7m. Assets are valued at £2.3m.

Smith & Nephew will merge its existing US casting product line with Parker, increasing its market share from 2 per cent to 6 per cent. The group last month reported a 6 per cent rise in first-half pre-tax profits to £90.8m.

Justin Marozzi

Interoute seeks Aim listing

Interoute, an international telecoms operator based in the UK, is hoping to raise £10m ($15.6m) through a placing and listing on Aim.

The operator offers services to other telephone companies through its switching centre and international network. Founded in April 1995 by Mr John Mittens and Mr Nicholas Razey, who hoth gained experienca at Cable & Wireless and Mercury Communications, it intends to use the proceeds to develop its pan-European telecoms network in preparation for the industry's forthcoming deregulation.

Peter Black slips 19%

The closure of its last UK footwear manufacturer and the relocation of its healthcare business led Peter Black, the footwear, cosmetics and accessories supplier, to a 19 per cent slip in annual pre-tax profits to £7.6m ($12m).

Underlying pre-tax profits on continuing businesses were up 7 per cent to £13.5m (£12.6m) on turnover down 2 per cent at £122m, in the year to June 1.

Turnover for the footwear and accessories division slipped from £70.2m to £63.8m, although the former figure included £8.6m from the Keighley facility which was closed in May last year.

The group's footwear division, which only supplies Marks and Spencer, bacomes an importing operation rather than a manufacturer, sourcing from Italy, India, Thailand and Indonesia. Mr Gordon Black, chairman, said: "We're providing Marks and Spencer with the opportunity to source globally but buy locally. Wa can go to centres of excellence for each different style of footwear unencumbered by anachronistic UK manufacturing."

The personal care division lifted profits to £8.1m (£7.1m) on increased turnover of £52.1m. The group paid £4.4m for a new healthcare manufacturing site. Mr Black said the increasing commercialisation of Christmas, Easter and special occasions such as Mothers' Day was creating a growing demand for gifts.

A final dividend of 4.13p makes a total of 5.5p (5.05p). Earnings per share fell 25 per cent to 8.52p. Tha share price rose 10p to 267½p.

Justin Marozzi

Mackie falls 21%

Difficult trading conditions led Mackie International, the Belfast-based precision engineering group, to report a 21 per cent dip in interim pre-tax profits from £1.32m to £1.04m ($1.6m). Turnover for the first half of 1996 fell 13 per cent to £9.5m.

Mr Patrick Dougan, chairman, said he expected the trading climate to remain difficult throughout the year, although tha group's strategy to broaden its business base would lessen dependency on traditional textile machinery markets.

He pointed out that Mackie had recently completed a £6.2m rights issue, which had facilitated the process of strategic development.

ED & F Man gives warning on first half

By David Blackwell

ED & F Man, tha commodity trading and financial services gronp, yesterday said that after a relatively slow start to the year interim profits would be "somewhat lower" than previously. In the 1995 first-half to September 30 pre-tax profits were £32.8m ($51m). Tha shares closed yesterday at 157p, off 4½p.

Mr Michael Stone, chairman, told the annual meeting that the board remained "confident of a satisfactory outcome for the year as a whole based on the level of business which has already been contracted in agricultural products."

The meeting voted for the introduction of a proposed long-term incentive plan for its executives. Some shareholders last month concern that the proposed L-Tip failed to link payments to Man'e performance against a group of comparator companies, as recommended by the Greenbury committee's report on executive pay. Pay-outs under Man's L-Tip will be dependent on its post-tax return on capital employed and earnings per share.

Persimmon lifted by Ideal purchase

By David Blackwell

Persimmon, which becama the fourth biggest UK househuilder after Fabruary's £178m purchase of Idaal Homes, yesterday reported good sales and demand for housing in the south-east, particularly within the M25.

However, the group was not so positive about other parts of the country, describing the south-west, Wales, and Scotland as patchy.

Mr Duncan Davidson, chairman, commented: "It is vary hard work selling houses over most of the UK," said Mr Duncan Davidson, chairman.

Pre-tax profits for the six months to June 30 ross from £9.7m ($15m) to £11.1m, after £3.1m of exceptional reorganisation costs following the acquisition of Ideal from Trafalgar House.

In its first four months, Ideal contributed sales of £74.2m to the total of £202.5m (£115m).

Mr Davidson said Ideal – the group's first acquisition since its foundstion 20 years ago – had been successfully integrated. Further acquisitions would be considered, but there was nothing on the stocks at the moment.

Meanwhile the group had achieved salss of 5,450 houses in the year to date, and was on coursa to achiave its target of 6,000 completions in the full year.

Mr Davidson expressed concern at soms of the prices being paid for land in south-east England, where some sites had risen by 20 per cent. Bnt he added that the group's averaga land-bank of four years provided a cushion.

Earnings per share eased from 6.3p to 5.2p, but were ahead at 6.6p excluding axceptionals. The intarim dividend is maintained at 3p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Black(Peter)	Yr to June 1	122.2	(125)	7.6♠	(9.4♠)	8.52	(11.31)	4.13	Oct 28	3.79	5.5	5.05
Bunzl	6 mths to June 30	887.5	(879.5)	55.8	(50)	8.1	(7.4)	2.2	Jan 2	2	-	5.8
Burmah Castrol	6 mths to June 30	1,529	(1,529)	149.1♥	(117.1)	41.7†	(29.7)	12	Jan 10	11	-	36.25☆
Cortecs Intl	Yr to June 30	10.5	(7.5)	3.8L	(4.2L)	3L	(3.8L)	-	-	-	-	-
Eclipse Blinds	6 mths to June 30	18.7	(18.4)	2.46	(2.05)	3.84	(3.25)	1	Oct 1	nil	-	1
ElectrophoreticsΦ	6 mths to June 30*	-	(-)	0.677L	(0.652L)	1.04L†	(1.26L)	-	-	-	-	-
Fayrewood Φ	-	-	(-)	-	(-)	-	(-)	0.4	Oct 1	-	-	-
Haynes Publishing§	Yr to May 31	27.5	(24.5)	5.51	(5.221♥)	21.8	(20.8)	5.8	Oct 31	5.5	10.3	8.5
Henlys	6 mths to June 30	244	(226)	17.1	(11.5)	21.4†	(15.8)	5	Oct 4	4	-	12
Heritage Bathrooms	Yr to May 31‡	15.2	(12.4)	2.92	(1.89)	11.7	(-)	3.2	Oct 21	-	3.7	-
JIB	6 mths to June 30	101.9	(93)	16.4	(12.8)	7.9	(6.2)	3.5☆	Nov 18	2.5	-	7.5
Lister	Yr to March 31	28	(35.8)	9.171♠	(1.69L)	55.46L	(10.41L)	nil	-	0.1	nil	0.1
Mackie Intl	6 mths to Sep 30	8.5	(10.9)	2.04	(1.32)	9.9†	(13.7)	3.7	Oct 18	3.7	-	11
Mico	6 mths to June 30	8.36	(6.83)	0.276	(0.085)	0.11	(0.03)	0.04	Oct 7	0.032	-	0.12
Parkco	6 mths to June 30	88	(82.3)	4.38	(3.62)	10.8	(9.5)	2.5	Nov 30	2.25	-	7
Persimmon	6 mths to June 30☆	202.5	(115.1)	11.1♠	(9.73)	5.8	(6.3)	3	Oct 21	3	-	8.5
Quarto	6 mths to June 30	30.9	(28.7)	1.55	(1.49)	4.3	(3.8)	2.2	Nov 8	2	-	7.25
Relyon	6 mths to June 30☆	31.4	(24.8)	3.19♠	(2.75♥)	10	(8.8)	2.5	Sept 17	2.2	-	7.5
Romtec Φ	5 mths to July 31	1.99	(1.61)	0.128♠	(0.105)	1.7	(1.5)	-	-	-	-	-
Singer & Friedl'dr	6 mths to June 30☆	-	(-)	21.4♥	(16.1♥)	5.84†	(4.66)	1.85	Nov 1	1.6	-	4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Scottish Eastern	6 mths to July 31	113.7	(104)	9.85	(9.82)	1.56	(1.59)	0.8	Oct 17	0.56	-	1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased ΦAim stock. §USM stock. ‡Includes 14p foreign income dividend. *Comparatives for 8 months. ☆foreign income dividend. ☆Comparatives restated. ‡Com pro-forma.

INTERNATIONAL PEOPLE

Quinn joins Nomura Bank

Nomura Bank Internatiooal, the London-based commercial banking arm of Japan's Nomura Securities group, has landed Brian Quinn, the former head of banking supervision at the Bank of England, as its next executive chairman.

Quinn retired earlier this year at the age of 59. He will serve jointly at first with Andreas Prindl, who set up the bank for Nomura 10 years ago.

Nomura Bank International handles all forms of commercial banking and lending which until recently were prohibited for the parent securities company by Japan'a versioo of the Glasa-Steagall separation between investment and commercial banking.

Prindl will start work next week as provost of Gresham College, and will step down in early 1997 from the Nomura chairmanship. He will remain as a noo-executive director.

Few were surprised by the first board Quinn joined after leaving the Bank of England: Celtic plc, parent of a football team about which he has beeo known to wax lyrical. He has also kept up his interest in European banking issues by taking a directorship of Bankgesellschaft Berlin (UK).

With Nomura, he will add the chairmanship of an institution whose initial application for a banking licence he would have had to countersign at the Bank of England ten years ago, when he was head of the banking supervision division. "I think I must have done," says Quinn. *George Graham*

Sharp top brass

Toshikazu Mitsuda, who as chairman of Sharp UK signed the company's initial aponsorship contract with Manchester United Football Club, is back in Britain as consultant to Sharp Electronics (UK), based in Watford.

He is aucceeded in his most recent role as chief executive of Sharp's aubsidiaries and operations in Europe by Sueyuki Hirooka.

Hirooka, 59, is a career-long veteran with the Japanese electronics giant, having joined Sharp Corporation in 1960. He spent over 10 years as president and chairman of Sharp's US operation, and was most recently executive director and group general manager of the international marketing group in Japan.

A keen gardener and anglophile, Mitsuda, 60, is unusual in Japanese business circles in having spent most of his working life outside Japan. Now based at Sharp Electronics (UK)'s southern sales office, his remit will be to help developing key aecount customers. *Nim Caswell*

Coomber goes home

John Coomber, 47, who last week masterminded the biggest acquisition in the history of Swiss Re, the world's secood higgest reinsurer, must be feeling particularly happy.

Not only has he turned Swiss Re into the world market leader in reinsuring life and health risks, but the deal also means that he can live at home again in Essex, in the south of England.

A year and a half ago Coomber, who is not a German speaker, was uprooted from Swiss Re's UK headquarters in London's Leadenhall Street and moved to Zurich where he was given a seat on Swiss Re'a executive board and put in charge of global life reinsurance.

The move involved a demanding weekly commute between his UK home and his office at Swiss Re's headquarters on the shores of Lake Zurich. As part of the takeover of M&G Re, Coomber will return to London to take charge of Swiss Re's enlarged life and health reinsurance division; its base is being moved from Zurich to London.

Coomber's rapid promotion up the ranks of Swiss Re is another sign of the way the big Swiss insurers are responding to the globalisation of their industry. Ten years ago Coomber's promotion would have been pretty unthinkable. He seemed set to see out his career as the appointed actuary for Swiss Re (UK), a relatively small subsidiary of Swiss Re.

However, he moved across to management, taking over as chief executive of the UK operation in January 1993, and caught the eye of Lukas Mühlemann, the ex-McKinsey management consultant, after the latter was brought in to shake up Swiss Re in September 1994.

William Hall

Haskayne shifts roots

Richard F. Haskayne, 61, a well known western Canada energy industry executive, is taking over as board chairman of MacMillan Bloedel, Canada'a biggest diversified forest products group, on October 1, succeeding Ray Smith who retired in July.

Haskayne was formerly chairman and chief executive of Interhome Energy, a big pipeline and upstream oil and gas group, and is chairman of two other corporations and a director of several more.

Robert Findlay, MacMillan's chief executive, has been under pressure from institutional shareholders to use tha company's resources to optimise shareholder value.

Haskayne said he has great confidence in Findlay and his management team and will work closely with them. *Robert Gibbens*

ON THE MOVE

■ Thomas Park, 49, area director of Australia and New Zealand for Kraft Foods, has been appointed a non-executive director of NATIONAL AUSTRALIA BANK.

■ Don Argus joins the board of BHP with effect from November 30. He has been managing director of the National Australia Bank since 1990.

■ Jerome Zurcher has been appointed by BANKERS TRUST as vice-president in the derivatives sales group of the Zurich office, responsible for marketing derivative products to the Swiss client base.

■ Andres Bande is appointed president of SPRINT INTERNATIONAL, responsible for developing Sprint's future international opportunities and directing the company's global activities outside the scope of Global One, the company's international venture with Deutsche Telekom and France Telecom. He was previously president of Ameritech International for six years.

■ James Campbell and Clifford Elphick are appointed to the board of ANGLO AMERICAN CORPORATION.

Campbell is chairman of the corporation's administration committee, deputy chairman of Anglo American Coal Corporation, managing director of De Beers industrial diamond divisioo and sits oo the boards of De Beers Ceotenary and De Beers Consolidated Mines. Elphick joined Anglo American in 1986 as a management trainee for Mondi and moved to Anglo American Corporation's finance division in 1987.

■ Herman Cain, chairman of the board of directors of the FEDERAL RESERVE BANK of Kansas City, has resigned as chairman and director of the bank.

■ Gina Wilson has been named director of investor relations and corporate communications for STILLWATER MINING COMPANY, the only US producer of platinum and palladium.

■ Ray Curran has been promoted to president and general manager of US operations for the North American division of DATA EXCHANGE CORPORATION. Allan Squires has been promoted to president and general manager of European operations.

■ THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY Laboratory for computer science (LCS) and the WORLD WIDE WEB CONSORTIUM (W3C) have appointed of Jean-Francois Abramatic as chairman of the W3C and associate director of the LCS. He replaces Albert Vezza, associate director of the LCS, who will retire from over three decades of service at MIT on September 30.

■ Following the internal consolidation of CHRYSLER CORPORATION's Chrysler/Plymouth and Jeep/Eagle divisions, the following will manage the marketing activities of each divisions: Martin Levine becomes general manager – Chrysler/Plymouth and Jeep/Eagle. Ray Fisher takes over as general manager – Dodge Car and Truck.

■ MCA MUSIC ENTERTAINMENT GROUP have announced the appointment of Henry Droz as president and Jim Urie as executive vice-president/general manager of Uni Distribution, which handles the manufacturing, distribution, and sales for such labels as MCA Records, Geffen Records, MCA Records Nashville.

■ Marinus Daling, chairman of the South African company Sanlam, had resigned as a director of Gencor and has joined the board of GENBEL SECURITIES (Gensec).

■ Ray Cotten has been appointed vice chairman of SUPERCONDUCTOR TECHNOLOGIES, which develops wireless communication applications for high temperature superconductor (HTS) and cryogenic products.

■ Tex Schenkkan becomes vice-president of strategic planning and business development for QUANTUM CORPORATION.

■ Rossella Daverio has been appointed by RHONE-POULENC RORER (RPR) as senior vice-president, communications, reporting to Michel de Rosen, chairman, president and chief executive of RPR.

■ David Craver and Michael Scharfenberger have been named managing directors, Europe, for the ZIFF-DAVIS INTERNATIONAL MEDIA GROUP.

Craver has been with the company for five years, most recently as group vice president of the international media group. Scharfenberger will join Ziff-Davis at the beginning of November from the WEKA group, one of Germany's largest special-interest publishers.

■ Connie Roveto has been appointed chief operating officer, THE TRUST COMPANY OF BANK OF MONTREAL and senior vice-president, Asset Management Services, BANK OF MONTREAL. She was previously president, chief executive and a director of United Financial Management.

■ SCOTT PAPER has appointed David Erskine as president following the resignation of president and chief executive Lee Griffith. Griffith, who assumed his role in January 1995, has resigned for personal reasons and will return to the US. Erskine, formerly corporate vice-president and chief financial officer, was also elected a member of the board.

■ John Koromaios has been appointed vice-president of sales and worldwide distribution for MCGRAW-HILL HOME INTERACTIVE (MHHI). Prior to this, he was vice-president of sales for Sony Electronic Publishing, where he managed sales for all PC CD-ROM and video game products.

■ James Buckley, former Apple Computer Inc executive, has been appointed president and chief operating officer of CBT GROUP. He resigned in May from Apple Computer, where he had been president of Apple Americas. CBT Group develops interactive education software.

■ Edwin Brust has been appointed by CHRYSLER CORPORATION as general manager, Latin America, Middle East and Africa operations, responsible for manufacturing, sales, marketing and distribution operations.

■ Carina Bergfelt, 36, has been appointed group legal director at SKF, the world's largest manufacturer of ball-bearings. She is succeeding Krister Pell, who becomes president of the SKF Group's subsidiary, SKF USA.

■ Michael Batt has been appointed president of CARLSON COMPANIES' associate and leisure travel group, Carlson Wagonlit. He joins from Alamo Rent A Car in Fort Lauderdale, Florida, after an eight year career with British Airways, as director of marketing.

■ David Bratnchild, chief financial officer of BEN FRANKLIN RETAIL STORES, has resigned. The company has hired Price Waterhouse to assist the company during chapter 11 bankruptcy process until a successor is found.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Spanish and Italian sectors outperform

By Samer Iskandar

European bonds traded quietly yesterday, as the US market was closed for the Labor Day holiday.

German bunds closed barely changed, allowing Spanish and Italian bonds to outperform, their 10-year yield spreads tightening by 2 and 3 basis points respectively to 244 and 317 points.

■ The Italian 10-year benchmark bond rose by 0.17 to close at 100.96, while Liffe's September BTP future settled 0.20 higher at 115.71.

"BTPs will resume their convergence [towards German yields] on economic fundamentals", said Mr Tom Pelc, senior technical analyst at MMS International. He expects the 10-year yield spread over bunds to trade in a range of 300–330 basis points in coming months, then "eventually trade below 300 by year-end".

December's three-month eurolira future closed at 91.91, up 0.06, reflecting expectations that three-month interbank rates will be around ½ point lower before the end of the year. "The market will be supported by interest rate cuts [by the Bank of Italy]," Mr Pelc predicted.

■ French bonds traded in line with bunds and closed near Friday's levels. The September notional future traded on Matif settled at 123.16, up 0.02. Traders remained cautious ahead of next week's budget. "The outlook is very bleak for the French market," said Mr Adrian Owens, an economist at Julius Baer Investments. "France cannot afford any negative impact [from social unrest] on growth in the run-up to Emu."

But with political problems widely expected by traders, "there is more scope to be pleasantly surprised than the opposite", said Mr David Wileman of bond brokers King and Shaxson in London, who believes such fears might be exaggerated.

■ UK gilts ended a quiet session slightly higher, with Liffe's September long gilt future up $\frac{1}{32}$ at 107$\frac{11}{32}$. Mr Wileman said that from a technical point of view, "a close above 107¼ is needed to negate the recent losses".

A rise in the August Purchasing Managers' index to 51.8, from 51.0 in July, confirmed the pick-up in the UK economy and reinforced traders' expectations that rates will not be cut after tomorrow's meeting between the chancellor of the exchequer and the governor of the Bank of England.

A rate cut could be detrimental to gilts, said Mr Wileman, "because it would appear politically motivated... and would signal the end of the easing cycle".

● A weak performance by OATs, combined with jitters on the foreign exchange market, dragged France to the bottom of the performance league table in August, according to J.P. Morgan's Government Bond Index Monitor.

"France [was] the only country to report negative returns", of 1.16 per cent in US dollar terms, J. P. Morgan said, attributing the weakness to concern "based on the political turmoil likely to surround budget negotiations in September".

Other core European markets, under the influence of weak US Treasuries (which showed a 0.10 per cent loss), ended the month with a modest 0.55 per cent increase in US dollar terms.

With returns above 4 per cent in local terms and a currency appreciation of 2.38 per cent, Australian bonds boosted the high-yield index's performance to 1.94 per cent.

INTERNATIONAL BONDS

● The eurobond sector had a very quiet day, with only one issue surfacing, writes Conner Middelmann.

Swedish Export Credit issued NZ$150m of 7.8 per cent two-year bonds, targeted at Japanese retail investors, who have been keen to buy paper offering a substantial yield pick-up over domestic instruments.

After buying large amounts of Australian-dollar straight bonds or dual-currency bonds over the past year, they have also wanted to diversify into another currency, said an official at lead manager Wako Securities.

Meanwhile, Ms Tansu Çiller, Turkey's deputy prime minister, said the country was planning to issue DM150m to DM200m of bonds in the D-Mark market.

This led to speculation that Turkey might want to increase a DM500m issue of 8 per cent, four-year bonds it launched on August 13. The bonds yielded 304 basis points over German government bonds at launch and currently trade at a spread of 272 points. Commerzbank, which led that issue, declined to comment.

TAG Heuer looking to raise over SFr400m

By Richard Lapper, Capital Markets Editor

TAG Heuer, the Swiss watch manufacturer, is set to confirm its plans to raise funds with an international share issue later this week, following other manufacturers of luxury and prestige goods, such as Gucci, in raising capital internationally.

The company is looking to raise more than SFr400m in ordinary stock and American Depositary Shares in Zurich and New York.

Some SFr300m will be issued as primary shares and SFr120m will come from the sale of existing stock. A greenshoe of SFr60m is expected.

Salomon Brothers and SBC Warburg are the joint global co-ordinators, with Salomon as sole book-runner. They plan to raise about 50 per cent of the funds in the US market, with the rest coming from an international placing.

The deal will put about 40 per cent of the company in public hands.

● Telecel, the Portuguese mobile phone company, has still to appoint lead managers for its IPO, which is expected to raise about $400m.

It is understood, however, that the company has narrowed the choice of possible leaders to two banks, Lehman Brothers and SBC Warburg.

Both had originally bid for the mandate as part of separate consortia; Lehman with Schroders, and SBC Warburg with Salomon. Merrill Lynch and UBS formed a third consortium.

About 40 per cent of Telecel, worth about $1bn, is expected to be offered by early 1997 in Portugal's biggest IPO to date.

Philippines plan marks beginning of end for Bradys

The Philippines' plan to exchange $1.9bn of Brady bonds for eurobonds is likely to prompt other emerging market governments – notably Brazil, Argentina and Venezuela – to follow suit over the next few months, bankers say.

Brazil is already debating the possibility of a Brady bond exchange in Congress. Mexico, which pioneered this type of transaction earlier in the year, is considering a second visit to the international debt markets to retire more Brady bonds.

"Now that two countries have taken the step there's a strong possibility that several more will follow in the near future," said one banker. "Emerging markets want to get rid of the stigma of being linked to US Treasuries. There's every chance the Brady market will cease in a few years from now to be the primary vehicle for emerging market debt."

Analysts say the move, which is expected to help tighten yields on Philippine corporate debt, will expedite the country's credit rating upgrade to investment grade status. The Philippines currently has a foreign-currency debt rating of Ba2 from Moody's and BB from Standard & Poor's – two notches below investment grade.

Other emerging market governments are expected to watch closely the pricing of the Philippine offering. Mexico's "post-Brady" debt was priced to yield 552 basis points above US 30-year bonds but is now trading at a 460-basis-point spread.

The Philippine offering, which closes on September 20, is expected to be priced at 250 to 300 basis points above Treasuries. Mexico, which retired US$1.75bn in Brady bonds in its first offer, is hoping to exploit the narrowing of its spread to 460 points with a fresh issue.

The growing popularity of such transactions is likely to speed up the shrinkage of the Brady market. Until now, Brady bonds have represented the most widely traded and liquid form of emerging-market debt, but in the coming years they are likely to be overtaken by eurobonds, observers say.

In Latin America, the amount of eurobonds in issue has grown to about $80bn from virtually nothing in the early 1990s. This year alone, the region's borrowers are likely to set a record: in the first eight months of 1996, Latin borrowers issued $26.8bn in international bonds (excluding US yankees and Japanese samurai bonds), compared with $19.1bn in all of 1995 and easily exceeding the previous record of $22bn for 1993, figures from Capital Data Bondware show.

While outstanding eurobonds still amount to less than the Brady bond market, which is pegged at some $124bn, they are rapidly catching up. Also, no more Latin Bradys are expected after this year's Panamanian and Peruvian debt restructuring agreements.

"Bradys will continue to be the most liquid and actively traded assets for quite some time to come – but their days are numbered," predicts Mr Peter West, economic adviser at West Merchant Bank in London. "We are seeing the beginning of the end of the Brady market."

Edward Luce and Conner Middelmann

Vietnam revives idea of debut eurobond

By Jeremy Grant in Hanoi

Vietnam and its bankers have revived the idea of launching a debut eurobond following the completion four months ago of a package to reschedule some $900m in commercial debt – or London Club – arrears.

But a failure to reach final agreement with commercial creditors – mostly Japanese banks – on the final shape of the package means the launch is unlikely to take place before 1997.

Nomura and Merrill Lynch were originally appointed to co-lead the issue, with Deutsche Morgan Grenfell as senior co-lead, in August 1995, raising expectations thet Vietnam would launch a $100m–$150m issue.

The idea was shelved in April, with the government conceding that it would need to clear London Club arrears, but in the past few weeks Nomura and Merrill are understood to heve approached the Vietnamese finance ministry. (The first approaches apparently came after the ruling Communist Party's five-year Congress in early July.)

The ministry, which would be the issuer of the bond, is working on providing the two foreign banks with updated statistics on national budget forecasts, foreign reserves and debt policy as part of the due diligence process.

The main objective of launching a bond would be to establish credibility in the international capital market, in preparation for a time when Vietnam is in genuine need of larger sums.

"You can't just sit here and wait for ODA (official development assistance) to come in. You have to enter the capital markets now, establish your credibility for the time when you really need the money and have demonstrated an ability to repay," said one banker familiar with the proposed eurobond issue.

A debut issue soon would also help familiarise the Vietnamese with the commercial rigours of the international capital markets and help wean Hanoi off its reliance on soft financing such as ODA, some bankers argue.

Vietnam has attracted ODA commitments of between $7bn and $8bn and $20bn in foreign investment pledges but disbursement levels are still low.

Much of the money absorbed is helping to finance the country's growing trade deficit, which reached $3.1bn in the first seven months of this year, compared with $2.3bn in the whole of 1995.

Hanoi has said it needs $42bn by 2000 to rebuild its frail road and rail network and install power generating capacity, as well as to help achieve annual economic growth of about 9 to 10 per cent.

Further progress, however, will be difficult until all the country's commercial bank creditors accept the terms of the London Club deal, which includes a Brady-style debt-for-bonds option, as well as a cash buy-back.

Without final agreement, bankers say, it will impossible to price the Brady, which will serve as guide in pricing Vietnamese sovereign risk, and therefore difficult to price the eurobond.

"I can just conceive of a eurobond taking off once Brady [bond] terms are set in concrete," said one London-based banker who follows Vietnam.

Technical difficulties will add to delays – Vietnam will need months to market its bond issue, for example. "I can't see that happening much before March 1997," added the banker.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.6790	+0.330	8.11	8.10	8.48
Austria		6.250	05/06	96.2600	-0.060	6.39	6.37	6.45
Belgium		7.000	05/06	102.5000	-0.040	6.63	6.66	6.74
Canada *		7.000	12/06	0.0000	-	0.00	7.33	7.70
Denmark		8.000	03/06	104.2200	-0.040	7.36	7.31	7.30
France	BTAN	5.500	10/01	99.5970	+0.040	5.59	5.61	5.39
	OAT	7.250	04/06	105.6900	-	6.44	6.39	6.36
Germany Bund		6.250	04/06	98.9900	+0.060	6.39	6.40	6.41
Ireland		8.000	08/06	102.5000	+0.100	7.63	7.58	7.62
Italy		9.500	02/06	100.9600	+0.170	9.34†	9.39	9.13
Japan	No 140	6.600	06/01	120.8526	-0.220	1.85	2.06	2.39
	No 182	3.000	09/05	100.3565	-0.040	2.95	3.12	3.36
Netherlands		8.500	06/06	115.3900	+0.050	6.33	6.35	6.35
Portugal		11.875	02/05	116.8900	+0.040	8.62	8.62	8.60
Spain		8.800	04/06	99.6200	+0.170	8.83	8.88	8.64
Sweden		6.000	02/05	87.3135	-0.210	8.13	8.07	8.24
UK Gilts		8.000	12/00	103-15	+2/32	7.03	6.99	7.18
		7.500	12/06	97-10	+5/32	7.88	7.84	7.92
		9.000	10/08	107-20	+5/32	8.00	7.97	8.09
US Treasury *		7.000	07/06	0-00	-	0.00	6.75	6.84
		6.750	08/26	0-00	-	0.00	6.97	7.01
ECU (French Govt)		7.500	04/05	104.3500	+0.060	6.81	6.81	6.80

London closing. *New York closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Close (Aug 30) — Treasury Bills and Bond Yields

		One month	-	Two year	6.34
Prime rate	8¼	Two month	-	Three year	6.53
Broker loan rate	7	Three month	5.28	Five year	6.73
Fed.funds	5¼	Six month	5.49	10-year	6.95
Fed.funds at intervention	[illegible]	One year	[illegible]	30-year	7.12

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.00	123.16	+0.02	123.18	122.84	30,883	163,804
Dec	121.60	121.76	+0.02	121.78	121.56	2,573	57,590
Mar	121.50	121.62	-0.02	121.60	121.50	419	10,785

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
120	-	-	-	-	0.13	-	1.10	-
121	-	-	-	-	0.30	-	-	-
122	-	1.01	-	-	0.69	-	-	-
123	0.37	0.59	1.05	-	-	-	-	-
124	0.14	-	-	-	-	-	-	-

Est. vol. total, Calls 2,566 Puts 2,434. Previous day's open int. Calls [illegible] Puts [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.17	97.27	-0.09	97.29	96.97	80469	122921
Dec	96.21	96.29	+0.01	96.30	96.00	41346	96566

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9600	0.61	0.88	1.08	1.05	0.32	0.86	0.80	1.71
9650	0.34	0.62	0.86	0.84	0.55	0.83	1.08	2.00
9700	0.18	0.40	0.80	0.67	0.87	1.11	1.31	2.33

Est. vol. total, Calls 10340 Puts 6518. Previous day's open int., Calls 102785 Puts 106687

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.40	115.71	+0.20	115.79	115.27	32000	99860
Dec	114.75	115.01	+0.20	115.09	114.60	18360	25286

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11500	1.63	2.04	1.62	2.53
11550	1.35	1.82	1.84	2.81
11600	1.12	1.62	2.11	3.11

Est. vol. total, Calls 210 Puts 310. Previous day's open int., Calls 46882 Puts 71974

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.67	101.00	+0.18	101.04	100.60	22,919	52,474
Dec	100.09	100.48	+0.21	100.48	100.09	1,219	8,630

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	106-28	107-05	+0-05	107-06	106-25	17637	70545
Dec	106-02	106-15	+0-05	106-18	106-02	5841	86018

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
106	0-56	1-18	1-39	1-59	0-28	0-53	1-09	2-05
107	0-25	0-50	1-06	1-31	0-59	1-20	1-40	2-41
108	0-09	0-26	0-44	1-06	1-43	1-60	2-14	3-16

Est. vol. total, Calls 402 Puts 65. Previous day's open int., Calls 13279 Puts 17994

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.88	81.92	-	81.96	81.88	657	7,050
Dec	-	80.10	-	-	-	-	1,610

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	108-05	107-10	-0-26	108-09	105-31	382,382	207,430
Dec	107-20	106-25	-0-27	107-25	106-11	130,936	225,387
Mar	107-07	106-12	-0-27	107-10	106-05	684	8,726

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Sep	122.35			122.35	122.13	1034	na
Dec	120.69			120.69	120.48	2662	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Sep 2	Day's change %	Fri Aug 30	Accrued interest	xd adj. ytd
[illegible]					

FT FIXED INTEREST INDICES

	Sep 2	Aug 30	Aug 29	Aug 28	Aug 27	Yr ago	High*	Low
Govt. Secs. (UK)	92.90	92.73	92.83	92.78	92.81	94.17	90.34	
Fixed Interest	113.12	113.33	113.38	113.34	113.51	112.49	115.23	110.74

GILT EDGED ACTIVITY INDICES

	Aug 30	Aug 29	Aug 28	Aug 27	Aug 23
Gilt Edged bargains	77.2	98.3	109.8	73.7	77.6
5-day average	86.9	87.1	85.9	79.7	79.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 2

	Issued	Bid	Offer	Chg.	Yield
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

CURRENCIES AND MONEY

MARKETS REPORT

Rise of US dollar fuelled by oil price worries

By Richard Adams

Concern over increased world oil prices and expectations of a rise in US interest rates led to a rise in the US dollar against the D-Mark and the yen in the foreign currency markets yesterday.

Traders in London said investors were looking to buy dollars, after tension between Iraq and the United Nations ended a proposal for Iraq to swap oil for aid. October futures for international benchmark crude oil jumped by over $1 a barrel.

The dollar's rise was also aided by the groundswell appearing among analysts that the Federal Reserve is now more likely to raise interest rates at its next monetary policy meeting on 24 September.

The dollar finished the day higher on the London market at DM1.4869. That was almost a pfennig ahead of its closing price of DM1.4778 on Friday, but well within its recent technical trading ranges of DM1.4715 to DM1.4940.

Against the yen the dollar found support at Y109 but ended the day at Y109.165, being unable to break resistance levels at Y109.35. But yesterday's volumes were light, with US markets closed for Labor Day.

The Norwegian kroner strengthened on the back of oil worries, rising to NKr5.321 from NKr5.347 against the Swiss franc, and to NKr4.329 from NKr4.333 against the D-Mark.

The Swiss franc weakened against the dollar, from SFr1.1976 to SFr1.2099. Against the D-Mark it fell to SFr0.814, from SFr0.810.

■ Pound in New York

Aug 30	—Close—	— Prev. close —
£ spot	1.5615	1.5575
1 mth	1.5611	1.5571
3 mth	1.5610	1.5569
1 yr	1.5548	1.5507

■ Mr Otmar Issing, the Bundesbank's chief economist, said the central bank's last repo rate cut on August 22 had sent a clear signal to the markets.

Speaking at a financial seminar in Zurich yesterday, Mr Issing said: "We have created clarity for the foreseeable future."

"With this clear step we are signalling that the level has been reached."

Bundesbank-watchers in London were divided over how to interpret his comments, although most thought he had appeared to rule out interest rate cuts in the near future.

Mr Issing also confirmed Germany's gross domestic product improved in the second quarter. "The second quarter should come out clearly better than the first. That was to be expected," he said. Second quarter GDP figures are to be released on Thursday.

■ The Swiss franc looks like continuing its downward trend begun last week. Against the dollar it slipped by over a centime, and fell against the D-Mark, despite the German currency not having a good day.

Mr Brian Marber, a highly independent technical analyst in London, said he preferred the D-Mark as the more solid currency against the Swiss franc in the long term.

The Swiss central bank continued its policy of talking down the franc yesterday. Mr Hans Meyer, the president of the Swiss National Bank, told a Swiss newspaper that the bank was concerned about franc's strength in the face of a weak domestic economy.

But the SNB was also aware that it did not have the ability to force a completely different development, he added.

"Bold intervention would be coupled with big risks. However, we are trying to smooth out the exchange rate swings," he said.

That "smoothing" saw the SNB provide generous liquidity through currency swaps to the market yesterday, in what analysts called a signal that the central bank is willing to ease its monetary policy.

■ Yesterday saw the government of Ukraine replace its old currency, the karbovanets, with the new hryvna.

The hryvna (pronounced hrr-v-nia) was fixed at 1.76 to the US dollar at its debut on the Ukraine interbank currency exchange, without bank intervention.

With inflation running at 0.1 per cent in June and July, and the karbovanets stable at around 176,000 against the dollar, the government felt confident enough to undertake currency reform.

In 1994 the karbovanets devalued so quickly that one state company recycled its worthless small denominations into toilet paper.

■ OTHER CURRENCIES

Sep 2	£	$
Czech Kr	42.7184 - 42.7737	28.1170 - 28.1370
Hungary	238.287 - 238.495	151.380 - 151.800
Iran	4680.00 - 4677.00	3000.00 - 3000.00
Kuwait	0.4669 - 0.4671	0.2993 - 0.2994
Poland	4.2783 - 4.2839	2.7430 - 2.7460
Russia	8362.48 - 8372.52	5364.00 - 5367.00
U.A.E.	5.7254 - 5.7299	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Sep 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3171	+0.0636	069 - 273	16.3275	16.2654	16.2853	2.3	16.2109	2.6	-	-	105.3
Belgium	(BFr)	47.7207	+0.1886	742 - 672	47.7710	47.5400	47.6257	2.4	47.4357	2.4	46.6657	2.2	107.3
Denmark	(DKr)	8.9601	+0.0326	549 - 653	8.9655	8.9352	8.9484	1.6	8.9281	1.5	8.8182	1.6	108.0
Finland	(FM)	7.0095	+0.024	004 - 186	7.0260	6.9810	7.0041	0.8	6.996	0.7	-	-	85.3
France	(FFr)	7.9287	+0.027	267 - 326	7.9346	7.9114	7.9183	2.2	7.8915	1.9	7.7847	1.8	108.8
Germany	(DM)	2.3166	+0.009	175 - 200	2.3209	2.3112	2.3109	2.5	2.3042	2.5	2.262	2.4	109.5
Greece	(Dr)	368.945	+0.53	748 - 141	370.581	368.910	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9648	+0.0016	638 - 655	0.9655	0.9621	0.9641	0.8	0.9629	0.7	0.9584	0.5	99.9
Italy	(L)	2362.20	+3.87	100 - 340	2365.47	2358.33	2367.75	-2.8	2377.6	-2.6	2410.1	-2.0	78.5
Luxembourg	(LFr)	47.7207	+0.1886	742 - 672	47.7710	47.5400	47.6257	2.4	47.4357	2.4	46.6657	2.2	107.3
Netherlands	(Fl)	2.5960	+0.0087	947 - 993	2.6039	2.5919	2.5916	2.5	2.5769	2.3	2.5322	2.5	107.4
Norway	(NKr)	10.0433	+0.0295	342 - 523	10.0545	9.9907	10.0348	1.0	10.0176	1.0	9.9843	1.1	98.4
Portugal	(Es)	237.387	+0.514	233 - 541	237.573	237.047	237.812	-2.1	238.717	-2.2	-	-	95.8
Spain	(Pta)	196.663	+0.218	561 - 764	196.828	195.489	195.923	-1.6	196.438	-1.6	197.898	-1.1	80.9
Sweden	(SKr)	10.3703	+0.0386	661 - 904	10.4065	10.3291	10.3796	0.0	10.3797	0.0	10.3777	0.0	88.5
Switzerland	(SFr)	1.8868	+0.015	856 - 878	1.8880	1.8763	1.8816	3.2	1.871	3.4	1.8228	3.4	112.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.5
Ecu	-	1.2300	+0.0046	293 - 308	1.2320	1.2269	1.2287	1.3	1.2257	1.4	1.2124	1.4	-
SDR†	-	1.088300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5574	+0.0035	567 - 580	1.5628	1.5565	-	-	-	-	-	-	-
Brazil	(R$)	1.6547	-0.0041	638 - 654	1.5665	1.5536	-	-	-	-	-	-	-
Canada	(C$)	2.1354	+0.0032	343 - 364	2.1399	2.1342	2.1347	0.4	2.1311	0.8	2.123	0.6	84.0
Mexico	(New Peso)	11.7649	+0.0805	533 - 764	11.8372	11.7530	-	-	-	-	-	-	-
USA	($)	1.5595	+0.0035	590 - 600	1.5627	1.5589	1.5591	0.3	1.5591	0.1	1.559	0.0	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.9745	+0.0009	732 - 757	1.9801	1.9729	1.977	-1.5	1.9821	-1.8	2.0073	-1.7	92.9
Hong Kong	(HK$)	12.0593	+0.027	550 - 635	12.0805	12.0543	12.0512	0.8	12.0386	0.7	12.0198	0.3	-
India	(Rs)	55.6040	-0.1483	708 - 374	55.7400	55.5630	-	-	-	-	-	-	-
Israel	(Shk)	4.8058	-0.0002	012 - 103	4.8144	4.8011	-	-	-	-	-	-	-
Japan	(Y)	170.243	+0.501	149 - 336	170.550	169.830	169.516	5.1	168.028	5.2	161.613	5.1	132.9
Malaysia	(M$)	3.8889	+0.0089	872 - 905	3.8966	3.8870	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2607	-0.0037	591 - 622	2.2671	2.2557	2.2657	-2.7	2.2752	-2.6	2.309	-2.1	108.1
Philippines	(Peso)	40.8903	+0.0175	238 - 568	41.0478	40.8171	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8459	-0.0132	487 - 511	5.8645	5.8465	-	-	-	-	-	-	-
Singapore	(S$)	2.1951	-0.0044	940 - 962	2.2004	2.1935	-	-	-	-	-	-	-
South Africa	(R)	6.9710	-0.043	648 - 771	7.0135	6.9643	-	-	-	-	-	-	-
South Korea	(Won)	1278.24	-2.25	776 - 873	1281.81	1277.08	-	-	-	-	-	-	-
Taiwan	(T$)	42.8902	-0.0415	725 - 078	43.0017	42.8104	-	-	-	-	-	-	-
Thailand	(Bt)	39.4655	-0.0863	489 - 820	39.5650	39.4320	-	-	-	-	-	-	-

† Rates for Aug 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4630	+0.0641	598 - 662	10.4665	10.4160	10.4435	2.2	10.4015	2.4	10.216	2.3	105.8
Belgium	(BFr)	30.6000	+0.17	800 - 200	30.6250	30.4850	30.545	2.2	30.4375	2.1	29.935	2.2	107.0
Denmark	(DKr)	5.7458	+0.0337	440 - 475	5.7475	5.7239	5.738	1.8	5.721	1.7	5.652	1.6	107.3
Finland	(FM)	4.4941	+0.0255	905 - 976	4.5040	4.4765	4.4875	1.7	4.4758	1.8	4.4301	1.4	84.9
France	(FFr)	5.0846	+0.0287	845 - 850	5.0865	5.0615	5.0773	1.8	5.0633	1.7	4.9943	1.8	106.2
Germany	(DM)	1.4869	+0.0081	865 - 872	1.4875	1.4804	1.4842	2.2	1.4795	2.3	1.4612	2.4	108.5
Greece	(Dr)	237.220	+0.87	170 - 270	237.270	236.180	236.595	-4.5	242.945	-4.5	255.22	-4.0	66.7
Ireland	(I£)	1.6165	-0.0062	160 - 170	1.6238	1.6157	1.6174	-0.4	1.6192	-0.4	1.6338	-1.4	-
Italy	(L)	1514.72	+5.74	443 - 500	1517.00	1508.08	1518.47	-3.0	1527.82	-3.4	1560.37	-2.4	76.0
Luxembourg	(LFr)	30.6000	+0.17	800 - 200	30.6250	30.4850	30.545	2.2	30.4375	2.1	29.935	2.2	107.0
Netherlands	(Fl)	1.6650	+0.0093	656 - 662	1.6708	1.6608	1.6625	2.4	1.6554	2.5	1.6237	2.5	107.0
Norway	(NKr)	6.4401	+0.0363	363 - 438	6.4445	6.3968	6.4371	0.5	6.4316	0.5	6.3951	0.7	97.7
Portugal	(Es)	152.225	+0.57	170 - 270	152.290	151.710	152.655	-3.4	153.125	-2.5	155.27	-2.0	95.7
Spain	(Pta)	126.465	+0.42	440 - 490	126.650	125.200	126.715	-2.4	126.145	-2.2	127.685	-1.8	80.6
Sweden	(SKr)	6.6555	+0.0402	505 - 605	6.6610	6.6161	6.6545	0.2	6.667	-0.1	6.632	0.4	88.1
Switzerland	(SFr)	1.2099	+0.0123	095 - 102	1.2102	1.2020	1.2084	3.5	1.1969	3.8	1.1654	3.7	113.0
UK	(£)	1.5595	-0.0035	590 - 600	1.5627	1.5589	1.5591	0.3	1.5591	0.1	1.559	0.0	84.9
Ecu		1.2680	-0.0076	677 - 682	1.2735	1.2670	1.2688	-0.7	1.2704	-0.8	1.2792	-0.9	-
SDR†		0.68600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	995 - 997	0.9999	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0162	-0.0003	160 - 163	1.0165	1.0160	-	-	-	-	-	-	-
Canada	(C$)	1.3692	+0.001	690 - 695	1.3697	1.3660	1.3691	0.1	1.3694	0.0	1.3722	-0.2	83.3
Mexico	(New Peso)	7.5440	-0.043	390 - 490	7.5490	7.5390	7.7055	-25.7	7.8905	-18.4	8.654	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2660	+0.0029	657 - 665	1.2666	1.2653	1.268	-1.9	1.2715	-1.7	1.2902	-1.8	94.2
Hong Kong	(HK$)	7.7328	+0.0001	325 - 330	7.7340	7.7325	7.7335	-0.1	7.7353	-0.1	7.7623	-0.4	-
India	(Rs)	35.8550	-0.015	450 - 650	35.8700	35.8000	35.805	-5.0	36.11	-5.1	37.58	-5.4	-
Israel	(Shk)	3.1457	+0.0069	436 - 478	3.1480	3.1430	-	-	-	-	-	-	-
Japan	(Y)	109.165	+0.585	140 - 190	109.200	108.820	108.72	4.9	107.82	4.9	104.08	4.7	133.7
Malaysia	(M$)	2.4937	-0.0001	934 - 939	2.4941	2.4933	2.4948	-0.4	2.5007	-1.1	2.5242	-1.2	-
New Zealand	(NZ$)	1.4496	+0.0009	491 - 501	1.4503	1.4460	1.4526	-2.5	1.4584	-2.4	1.483	-2.3	-
Philippines	(Peso)	26.2250	+0.07	500 - 600	26.2600	26.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7506	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4076	+0.0004	073 - 078	1.4079	1.4073	1.4041	3.0	1.3991	2.7	1.3755	2.5	-
South Africa	(R)	4.4700	-0.0175	675 - 725	4.4950	4.4650	4.5175	-12.8	4.6075	-12.8	4.948	-10.8	-
South Korea	(Won)	819.650	+0.4	600 - 700	819.800	819.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.5025	+0.035	000 - 050	27.5070	27.4750	27.5075	-0.2	27.5125	-0.1	-	-	-
Thailand	(Bt)	25.3065	+0.0015	040 - 090	25.3100	25.3030	25.4052	-4.7	25.609	-4.8	26.4915	-4.7	-

† SDR rate per $ for Aug 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 30: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 2	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅛	3¼	3¼	6.00	2.50	-
week ago	3	3¼	3¼	3¼	3⅜	6.00	2.50	-
France	3⅞	3⅞	3⅞	4¼	4⅛	3.35	-	4.75
week ago	3⅞	3⅞	3⅞	3⅞	3⅞	3.35	-	4.75
Germany	3⅛	3¼	3¼	3¼	3⅞	4.50	2.50	3.00
week ago	3¼	3¼	3¼	3¼	3⅛	4.50	2.50	3.00
Ireland	5½	5⅝	5⅞	6	6¼	-	-	6.25
week ago	5⅝	5⅝	5⅝	5⅞	5⅞	-	-	6.25
Italy	8⅞	8½	8½	8⅞	8¼	-	8.25	8.85
week ago	8⅞	8½	8⅞	8⅞	8⅝	-	8.25	8.85
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅝	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
Switzerland	1⅝	1⅞	2⅛	2⅛	2¼	-	1.50	-
week ago	2¼	1⅞	2¼	2¼	2⅞	-	1.50	-
US	5¼	5⅞	5⅞	5⅞	6⅛	-	5.00	-
week ago	5¼	5⅞	5⅝	5¼	5⅞	-	5.00	-
Japan	⅞	½	½	⅞	⅞	-	0.50	-
week ago	½	½	½	⅞	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¼	5⅞	5⅞	6¼	-	-	-
week ago	-	5¼	5⅞	5⅞	5⅝	-	-	-
US Dollar CDs	-	5.08	5.26	5.45	5.81	-	-	-
week ago	-	5.08	5.16	5.26	5.49	-	-	-
ECU Linked Ds	-	4⅛	4¼	4⅞	4⅞	-	-	-
week ago	-	4¼	4⅞	4⅞	4⅞	-	-	-
SDR Linked Ds	-	3¼	3⅞	3⅞	3⅝	-	-	-
week ago	-	3⅞	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3½ - 3⅜
Danish Krone	3⅞ - 3⅝	3⅞ - 3½	3⅞ - 3⅝	3⅞ - 3¾	4⅛ - 3⅞	4⅛ - 4⅛
D-Mark	3⅛ - 3	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 2⅞	3⅜ - 3¼
Dutch Guilder	2¾ - 2⅝	2¾ - 2⅝	2¾ - 2⅝	2⅞ - 2⅞	2⅞ - 2⅞	3⅛ - 3⅛
French Franc	3⅞ - 3⅞	3⅝ - 3½	3⅞ - 3⅝	4⅛ - 3⅞	4⅞ - 4⅛	4⅞ - 4⅞
Portuguese Esc.	6⅞ - 6⅞	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Spanish Peseta	7⅞ - 7⅞	7⅞ - 7⅞	7⅜ - 7⅞	7¼ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Sterling	5⅞ - 5⅞	6⅞ - 5⅞	6¾ - 5⅞	5⅞ - 6⅞	5¾ - 5⅞	5⅞ - 5⅞
Swiss Franc	1⅞ - 1⅞	1⅞ - 1⅞	2⅛ - 2	2⅛ - 2⅛	2¼ - 2⅛	2⅜ - 2¼
Can. Dollar	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛	4⅞ - 4⅞	4⅞ - 4⅞
US Dollar	5⅛ - 5⅛	5¼ - 5	5⅞ - 5⅞	5⅝ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Italian Lira	8⅝ - 8½	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞
Yen	½ - ⅜	⅞ - ⅞	½ - ⅜	½ - ⅜	⅞ - ⅞	⅞ - ⅞
Asian $Sing	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅜ - 3¼	3⅜ - 3⅛	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.90	95.89	+0.03	95.94	95.85	15,985	51,645
Dec	95.80	95.78	+0.01	95.82	95.75	9,061	50,535
Mar	95.85	95.82	-	95.85	95.80	2,685	37,193

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.82	96.84	+0.01	96.84	96.82	6588	168277
Dec	96.77	96.78	+0	96.78	96.76	125950	239754
Mar	96.60	96.62	+0	96.62	96.59	9045	202092
Jun	96.36	96.38	-0.01	96.39	96.35	8416	148857

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.34	91.42	+0.05	91.44	91.34	7361	46485
Dec	91.82	91.91	+0.06	91.92	91.82	8270	48675
Mar	92.11	92.16	+0.05	92.20	92.10	1868	24739
Jun	92.20	92.26	+0.04	92.28	92.20	1055	18190

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.78	97.80	-	97.81	97.75	1175	25247
Dec	97.77	97.79	+0.01	97.80	97.74	2503	39922
Mar	97.54	97.56	-	97.59	97.53	239	12854
Jun	97.29	97.31	-	97.32	97.29	48	4586

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.44	99.44	-0.01	99.44	99.44	1	na
Dec		99.27	-0.03			0	na
Mar		99.12	-0.03			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.63	95.66	+0.01	95.66	95.63	697	8762
Dec	95.64	95.66	+0.01	95.65	95.63	516	6609
Mar	95.54	95.56	-	95.56	95.54	65	3098
Jun	95.35	95.37	-	95.38	95.36	18	2948

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.76	16.62	4.860	2.022	4950	5.444	21.04	497.5	410.1	21.75	3.954	2.096	4.474	3.267	356.7	2.578
Denmark	(DKr)	53.28	10	8.850	2.588	1.077	2636	2.900	11.21	265.0	218.4	11.58	2.106	1.116	2.383	1.740	190.0	1.373
France	(FFr)	60.16	11.30	10	2.924	1.217	2979	3.276	12.66	299.4	246.8	13.09	2.380	1.261	2.692	1.966	214.6	1.551
Germany	(DM)	20.58	3.864	3.420	1	0.416	1019	1.120	4.329	102.4	84.39	4.476	0.814	0.431	0.921	0.672	73.39	0.530
Ireland	(I£)	49.45	9.285	8.216	2.403	1	2448	2.692	10.40	246.0	202.8	10.76	1.956	1.036	2.212	1.616	176.4	1.275
Italy	(L)	2.020	0.379	0.336	0.098	0.041	100.	0.110	0.425	10.05	8.285	0.439	0.080	0.042	0.090	0.066	7.206	0.052
Netherlands	(Fl)	18.37	3.449	3.052	0.893	0.371	909.2	1	3.865	91.38	75.33	3.995	0.726	0.385	0.822	0.600	65.51	0.473
Norway	(NKr)	47.53	8.924	7.898	2.310	0.961	2353	2.588	10	236.5	194.9	10.34	1.879	0.996	2.126	1.553	169.5	1.225
Portugal	(Es)	20.10	3.774	3.340	0.977	0.406	994.8	1.094	4.229	100.	82.43	4.372	0.795	0.421	0.899	0.657	71.69	0.518
Spain	(Pta)	24.38	4.578	4.052	1.185	0.493	1207	1.328	5.130	121.3	100.	5.304	0.964	0.511	1.091	0.797	86.97	0.629
Sweden	(SKr)	45.97	8.632	7.640	2.234	0.930	2276	2.503	9.672	228.7	188.5	10	1.816	0.963	2.057	1.502	164.0	1.185
Switzerland	(SFr)	25.29	4.748	4.202	1.229	0.511	1252	1.377	5.321	125.8	103.7	5.501	1	0.530	1.131	0.826	90.20	0.652
UK	(£)	47.72	8.960	7.930	2.319	0.965	2362	2.598	10.04	237.4	195.7	10.38	1.887	1	2.135	1.559	170.2	1.230
Canada	(C$)	22.35	4.197	3.714	1.086	0.452	1106	1.217	4.703	111.2	91.66	4.862	0.884	0.468	1	0.730	79.72	0.576
US	($)	30.61	5.747	5.087	1.487	0.616	1515	1.666	6.440	152.3	125.5	6.658	1.210	0.641	1.369	1	109.2	0.789
Japan	(Y)	28.04	5.264	4.659	1.363	0.567	1388	1.526	5.899	139.5	115.0	6.099	1.109	0.588	1.254	0.916	100.	0.723
Ecu		38.80	7.285	6.447	1.885	0.785	1920	2.112	8.163	193.0	159.1	8.439	1.534	0.813	1.736	1.267	138.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6777	0.6762	-0.0017	0.6784	0.6745	15,687	66,116
Dec	0.6795	0.6803	-0.0017	0.6817	0.6785	1,251	7,409
Mar	0.6840	0.6850	-0.0017	0.6840	0.6840	35	968

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.9247	0.9200	-0.0047	0.9256	0.9196	6,327	72,427
Dec	0.9366	0.9316	-0.0047	0.9366	0.9320	1,627	7,530
Mar	-	0.9445	-0.0045	-	-	13	184

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8386	0.8337	-0.005	0.8396	0.8311	13,780	37,788
Dec	0.8463	0.8407	-0.005	0.8463	0.8380	389	3,595
Mar	-	0.8485	-0.0049	-	0.8468	48	626

■ STERLING FUTURES (IMM) £62,500 per £ (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5582	1.5616	+0.0038	1.5640	1.5554	4,328	50,843
Dec	1.5580	1.5616	+0.0038	1.5630	1.5556	699	2,880
Mar	-	1.5616	+0.0038	-	1.5560	3	6

UK INTEREST RATES

LONDON MONEY RATES

Sep 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 2	5⅞ - 5⅛	5⅞ - 5⅛	5⅞ - 5⅛	5⅞ - 5⅛	6⅛ - 5⅞
Sterling CDs	-	-	5¾ - 5⅞	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5½	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞
Discount Market deps	6⅛ - 5½	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Aug 30, 5.5149pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.27	+0.01	94.27	94.26	5993	86795
Dec	94.25	94.27	+0.01	94.28	94.25	5055	114647
Mar	94.06	94.08	+0.01	94.09	94.06	3166	80349
Jun	93.70	93.72	+0.01	93.72	93.69	1535	57504
Sep	93.31	93.32	+0.01	93.32	93.30	927	35998

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.06	0.14	0.17	0.04	0.12	0.34
9450	0	0.05	0.09	0.23	0.28	0.51
9475	0	0.02	0.04	0.48	0.50	0.71

Est. vol. total, Calls 1981 Puts 920. Previous day's open int., Calls 151492 Puts 144791

EMS EUROPEAN CURRENCY UNIT RATES

Sep 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.892	-0.002	-0.99	2.71	7
Netherlands	2.15214	2.13552	+0.00177	-0.77	2.49	6
Belgium	39.3960	39.2215	+0.0248	-0.44	2.15	3
Portugal	195.792	195.112	-0.037	-0.35	2.05	2
Germany	1.91007	1.90477	+0.00166	-0.28	1.98	3
Austria	13.4383	13.4043	+0.0127	-0.25	1.95	2
Ireland	0.792214	0.791895	-0.001666	-0.04	1.74	0
Denmark	7.28580	7.35957	+0.00152	1.01	0.68	-7
France	6.40608	6.51466	+0.00241	1.69	0.00	-14
NON ERM MEMBERS						
Greece	292.867	304.129	-0.371	3.85	-2.07	-
Italy	2106.15	1940.93	-2.16	-7.34	10.35	-
UK	0.786652	0.821691	-0.002993	4.45	-2.64	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) (Aug 30)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.530	2.92	-	-	-	0.09	0.39
1.540	1.98	2.25	2.57	-	0.25	0.64
1.550	1.09	1.53	1.97	0.10	0.53	0.98
1.560	0.43	0.95	1.42	0.42	0.95	1.42
1.570	0.09	0.53	0.99	1.08	1.53	1.99

Previous day's vol., Calls 5,305 Puts 3,987. Prev. day's open int., Calls 158,542 Puts 144,038

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.36	94.34	-0.05	94.39	94.32	46,542	364,039
Dec	94.04	93.94	-0.11	94.05	93.92	110,043	477,129
Mar	93.85	93.72	-0.13	93.86	93.71	128,548	616,938

■ US TREASURY BILL FUTURES (IMM) $1m per 100% (Aug 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.90	94.85	-0.05	94.91	94.83	335	6,340
Dec	94.64	94.56	-0.1	94.65	94.55	104	3,198
Mar	94.35	94.33	-0.12	94.39	94.33	22	893

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9675	0.10	0.08	0.10	0.12	0.01	0.05	0.07	0.09
9700	0.01	0.02	0.03	0.03	0.17	0.24	0.25	0.25
9725	0	0.01	0.01	0.01	0.41	0.48	0.48	0.48

Est. vol. total, Calls 15908 Puts 1187. Previous day's open int., Calls 402289 Puts 349601

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9800	0.01	0.08	0.10	0.21	0.29	0.52
9825	0	0.03	0.04	0.45	0.48	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8016 Puts 6440

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9125	0.21	0.74	1.05	0.04	0.08	0.11
9150	0.06	0.54	0.85	0.14	0.16	0.16
9175	0.02	0.36	0.66	0.35	0.20	0.22

Est. vol. total, Calls 980 Puts 410. Previous day's open int., Calls 89699 Puts 39787

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	0.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	0.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	8.00		

... mid-prices are shown in pounds per £100 nominal of stock.
... real Index-Linked ... are calculated by HSBC Greenwell from Bank of England closing prices.

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COMMODITIES AND AGRICULTURE

Copper prices lower after roller-coaster ride

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange copper price has very rarely been as volatile as it was yesterday. Copper for delivery in three months raced up in early trading to $2,165 a tonne, its highest level for 2¾ months. Then the price came tumbling down and in late trading it was $2,026, down $13 from Friday's afternoon close.

Analysts pointed out that such a big trading range in one day - $130 a tonne - previously was only seen at the peak of the demand cycle, such as in 1988-89 when copper was in very short supply. A $20 to $30 difference between the highest and lowest price in one day was in the past considered to be fairly aggressive.

With a reference to the turmoil that followed Sumitomo's claim that its chief copper trader, Mr Yasuo Hamanaka had suffered losses of $1.8bn from unauthorised trading, Mr Angus MacMillan, research manager at Billiton Metals, the Gencor subsidiary, said of yesterday's events: "Two months ago such a move would have been seen as dramatic. But it was an aftershock following the Hamanaka earthquake. And it won't be the last one".

Much of yesterday's activity was options related and this caused some complaints that, as options were supposed to be a small part of the market, they were having undue influence and it was a case of "the tail wagging the dog". However, Mr Wiktor Bielski, analyst at Bain & Co, part of Deutsche Morgan Grenfell, pointed out: "Copper is now a financial market, not just a commodity market. Futures and options are now the biggest part of the market and financial institutions determine the price".

The premium asked for copper for immediate delivery - or backwardation - was also volatile yesterday. On Friday it was $55 to $60 a tonne, it increased to $75 early yesterday but ended the day at $30.

Traders said the market's early surge was caused by options related covering and short covering by some investment funds. Volumes were thin in the early premarket and this exaggerated the move.

The 10 per cent jump in price in only two trading days encouraged some profit-taking and there was also options related selling that helped to push the price back down again.

Mr Bielski suggested there was "more upside" in the copper price. He said the price would go up to $1 a pound ($2,204 a tonne) and stay there for several months because demand was strong and the market would remain tight. In contrast, Mr MacMillan said he expected "a pretty hefty supply surplus" over the next 18 months. He is forecasting a surplus of 275,000 tonnes this year compared with a deficit of 148,000 tonnes in 1995, followed by a surplus of 400,000 tonnes next year.

Quebec announces nickel find

By Robert Gibbens in Montreal

The Quebec government announced yesterday that its geologists had made an important nickel-copper-cobalt find about 60 miles north-east of Sept Iles, the Lower St Lawrence iron ore shipping port. It has banned all staking temporarily in a 700 sq km area surrounding the find while exploration continues.

Chemical analysis of surface samples has shown high grades of both nickel and copper, the government said, but no estimate of geological reserves was given.

The Lake Nipissa area lies near the iron ore railway running from Labrador City to Sept Iles. Exploration by small and large mining companies has expanded sharply in the past two years following discovery of the big Voisey's Bay nickel-copper-cobalt deposit.

Several smaller mining companies working in the area said the government's staking ban on such a large area was unfair, saying 25 sq km would be adequate for protection.

The government could develop the property itself through its own mining exploration unit or auction it off to the highest bidder, mining analysts said, assuming several seasons of drilling confirmed the find.

Iceland smelter talks enter final stages

Iceland is in the final stages of negotiations on a possible second aluminium smelter, reports Reuters from Stockholm.

Mr Gardar Ingvarsson, managing director of the Icelandic Energy Marketing Agency, said yesterday talks with Columbia Ventures Corporation of the US had continued in earnest in August and he he would travel to New York this week for further discussions.

No announcement has yet been made on whether the US group has chosen Iceland or Venezuela as the site of a 60,000-tonnes-a-year smelter.

Deal reached on wool stockpile sales

By Nikki Tait in Sydney

Australia's federal government and the country's wool growers have agreed to reduce significantly the amount of wool that must be sold out of Australia's long standing wool stockpile each quarter, from the beginning of next year.

In Canberra, a "roundtable meeting" of industry participants decided significantly yesterday to cut the fixed release schedule for stockpile wool to a minimum of 135,000 bales a quarter from January 1 next year, reducing to 90,000 bales on July 1, 1997.

The group also set a target date of end-1998 for the retiring of all debt associated with the stockpile, and is urging a final date for the sale and delivery of all stockpile wool of December 31, 2000. The agreement struck at a meeting between growers, brokers and Mr John Anderson, the federal primary industries minister - will now go to federal cabinet for approval and the require legislative changes.

Australia's stockpile - which in mid-August stood at around 2.1m bales, with associated debt of just under A$1bn (US$790m) - built up under a previous guaranteed pricing scheme. At present, Wool International, the body charged with disposing of this wool, is required to sell at least 182,000 bales a quarter. This legislated schedule was originally due to last until mid-1997.

But, over the past year, the fixed release schedule has come under fierce attack from Australia's financially-pressed growers, who claim that WI is pushing large amounts of wool into a falling market and thus compounding price declines. They have also argued that WI's policy of selling forward at a discount to spot prices has been detrimental to price recovery.

Mr Anderson, who has previously been adamant that he would do nothing to further undermine Australia's credibility in the international wool market, said yesterday that the meeting agreed "there was a clear need to introduce more scope for commercial flexibility in the stockpile selling arrangements than is possible under the fixed release scheme".

Australia accounts for about 30 per cent of world wool production, and the product represents the country 's third largest export category.

Meanwhile, talks between Mr Tim Fischer, federal trade minister, and Madam Wu Yi, China's foreign trade minister, have failed to secure any further wool tariff reductions on China's, although Mr Fischer, who is in the country on a trade mission, said that there was scope for resolving some technical obstacles, which could lift export sales.

China is the largest buyers of Australian wool, taking A$789m-worth of exports in 1995, although its demand has been volatile recently.

Prices fare better than other fibres'

Wool prices fared better in 1996 than other textile fibres, breaking the trend seen since 1994, the International Wool Secretariat said in its monthly market briefing, reports Reuters from Sydney. This had been particularly so for fine wool.

The synthetic fibre market continued to be depressed by excess global capacity, the secretariat said, and many producers had cut back operating levels.

Expectations for a good cotton crop in 1996-97, combined with cautious hand-to-mouth buying by spinners, resulted in falling cotton prices too in 1996.

In contrast, fine wool prices had increased as supply tightened and demand from traditional markets, particularly Japan, improved, the IWS said. That trend was expected to continue with improved fine wool prices and continued lower prices forecast for polyester and cotton.

The secretariat also noted that a survey of 100 Chinese department stores showed that the sales value of wool apparel rose there in the first six months of 1996. Expenditure on clothing in China was rising steadily, with retail sales in the first half of 1996 growing at about 14 per cent year-on-year on an inflation-adjusted basis. Exports of wool textiles and clothing, however, fell in the first half of 1996.

China's output of yarn, fabric and apparel in the first five months of 1996 was 5 to 8 per cent higher than in the same period of 1995, with demand driven by the domestic market, the IWS said. Some flattening off in growth was occurring although apparel production was holding up better than yarn and fabric production, it added. The countries total raw wool and tops imports fell by 9 per cent in the first seven months of 1996 compared with a year earlier.

Imports from Australia were up by 15 per cent but those from Uruguay, South Africa and the former Soviet Union were all down.

The Indian market for wool and wool blend fabrics had stagnated, the IWS said, because of political uncertainty associated with the general election in May and a shift of purchase priorities among upper- and middle-class consumers. A recovery was expected before the new year.

London cocoa 'squeeze' fails

A major trader yesterday had to take virtually all the 215,200 tonnes of cocoa delivered on the London Commodity Exchange after an attempt to squeeze the market failed, analysts said, reports Reuters.

"It is an attempt to squeeze which didn't work because they underestimated the size of the crop and they underestimated the strength of other commodity traders," said a dealer. "They never thought there would be enough cocoa that could be put on the market and they've been proved wrong."

The LCE said 21,250 original tenders representing 212,500 tonnes were registered yesterday, the largest-ever delivery in one day.

The LCE gave no further details but dealers said a single large trader was believed to have received virtually all the cocoa and had further net long positions of 8,000 to 9,000 lots of 10 tonnes each.

Yesterday's delivery marked the climax of a five-month long war of nerves over the London September cocoa futures contract. Although the tonnage came as no surprise, traders said the market was now watching the major long's next move.

They estimated that it would cost him at least £42,000 a day to finance storage of the cocoa.

Smuggling threatens Pakistani tea trade

Farhan Bokhari on a problem that has been exacerbated by a rise in duties

Breakfast is a simple meal for Karachi's poorest daily workers, who gather near the city's busy intersections as the sun rises over Pakistan's commercial capital. Most can only afford a paratha (round flour bread fried in oil), which they dip in a cup full of tea before starting another hard day's work.

Many of them are still unaware of the latest controversy that has hit the country's tea market and prompted many tea importers to warn that disaster lurks around the corner. No one knows if growing fears over the increased opportunities for tea smugglers will lead to substantial price increases and raise the cost of the poor man's breakfast.

Pakistan's leading tea importers say that the government's decision to slap another further 5 per cent on imported loose tea in the country's June budget means that they have to pay up to 107 per cent in duties and taxes, which is much higher than the cost of smuggled tea.

Pakistan's Tea Association, the national body representing the importers, recently claimed that smugglers had stepped up their efforts to smuggle tea from neighbouring Iran and Afghanistan, across Pakistan's rugged and mountainous northern border.

The association says smugglers spend only 20 per cent in additional costs, giving them an 87 per cent price advantage over legitimate importers. It estimates that up to 25m kg of tea was smuggled in to the country during the last financial year (July 1995-June 96), a figure that it says will certainly rise this year.

Mr Abdul Waheed Khawaja, chairman of the Tea association claims: "There are two ways [to deal with the problem], either the tariff should be reduced or the border should be sealed, so that there's no smuggling".

Many other businessmen say, however, that a clampdown on smuggled tea, is next to impossible.

Tea is among the many luxury goods and commodities that are smuggled into the country across mountainous passes along Pakistan's North-West Frontier province, which borders Afghanistan, and the province of Baluchistan, which borders both Iran and Afghanistan.

The government says that it has taken several steps to curtail smuggling. Officials claim that vigilance has been stepped up along the borders. In addition, the number of items allowed under a transit trade agreement with land locked Afghanistan, which permitted Afghan traders to import goods through Pakistan without paying any duties, have been reduced.

> Traders are considering a unilateral two-month moratorium on importing tea to put pressure on the government

Many Pakistani officials say that the agreement was often abused by the Afghan traders and many of the duty free goods taken in to Afghanistan, were almost immediately returned to Pakistan through mountain caravans, without payment of duties.

Tea traders insist, however, that the smuggling continues to flourish, largely because of widespread corruption in official circles. Besides, continued warfare in Afghanistan makes it impossible for any government in that country to honour new trade arrangements such as the recent trimming down of the list of goods allowed for import.

Heads of armed bands in different parts of Afghanistan defy the directives of their government from time to time, especially in matters such as support for smuggling, for which big pay-offs are made. In one recent case, traders claimed that in July alone, up to 285 containers of Kenyan loose tea were offloaded at the Iranian port of Bandar Abbas, for onward transportation to Pakistan via Afghanistan.

Still, the Pakistani government appears to be in no mood to give duty concessions to tea importers, who warn that high duties will only giver further encouragement to the smugglers. Some businessmen have advised the tea importers unilaterally to call a two-month moratorium on importing tea to put pressure on the government, and to make officials realise that smugglers would take over what is otherwise a legitimate business.

Mr Ilyas Ahmed Bilour, President of the Federation of Pakistan Chambers of Commerce and Industry, the country's highest body representing business, says: "You have to go at least for two months, don't import a single penny-worth of tea. Let the smugglers import the whole tea and then government will come to know that there is no more revenue [from the tea business]".

But businessmen like Mr Khawaja are convinced that his association will not have to take any such measures. Business volumes are already down, though the association is still waiting to compare the fall in revenues during the first quarter after the budget compared to last year's trends. He warns: "The future of the tea business is very dark. More than 50 per cent of the business will go to smugglers by the end of the year if there's no change in policy".

Cotton area declines

The world cotton area declined in 1996-97 even though international prices were higher than historic averages, the International Cotton Advisory Committee said in its monthly report, reports Reuters from Washington.

It estimated the harvested area at 33m hectares in 1996-97, growing to 34m in 1997-98, but down from over 35m in 1995-96.

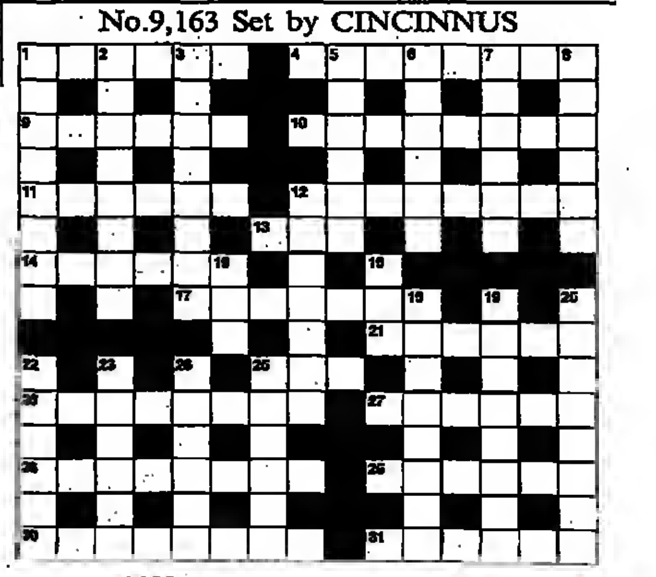
Reductions in cotton area occurred primarily because of competition with food crops, it said.

The ICAC projected the 1996-97 average Cotlook A Index at 75 cents a pound, compared with 86 cents in 1995-96 and a long-term average of 73 cents.

JOTTER PAD

CROSSWORD

No.9,163 Set by CINCINNUS



ACROSS

1 Secret fear can easily be discovered (6)
4 The first man to catch a bird on the Nile (5,3)
9 Harry and Virginia storm out (6)
10 No sailor alights on isle (8)
11 Distinguished foe not overgrown (2,4)
12 One who takes off from Port Said (8)
13 Employment for bookmaker? (8)
14 Escort goes out or stays (6)
17 Knocked back mother's ruin, getting tipsy in the country (7)
21 Absolute monarch coming back, main occupant of chariot (6)
25 Go both ways (3)
26 Dragged out of bed to see about poor duet? (8)
27 Traveller's exhaustion, let loose in Jaguar (3,3)
28 Averse to labour, inclined to lie on bed (4-4)
29 Straightforward letters of credit (6)
30 Drops of French fragrances? (8)
31 Girl, small, devoured by a wild beast (6)

DOWN

1 Service for church leader in river (3,5)
2 Witches attempt to see city (8)
3 Lingerie near neckwear (8)
5 Mark a black beetle (6)
6 An Arab craft? Yes, certainly! (3,3)
7 Territory in which to commit matricide (6)
8 Very small amount of time (6)
12 Dope - it's false or assumed to be true (7)
15 Large cask turning the head (3)
16 Compere holding a coat (3)
18 Stuff that is relevant (8)
19 Rider changes devotional books (8)
20 Alarm that's appropriate in a bog (8)
22 Broke, but I do offer more (6)
23 Upstart sun god has overthrown sun god (6)
24 Mark's warning (6)
25 Little ball from gym upset archer (6)

Solution to Saturday's prize puzzle on Saturday September 14.
Solution to yesterday's prize puzzle on Monday September 16.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1475-76	1510-10.5
Previous	1478-79	1511-12
High/low	1480	1520/1507
AM Official	1480-80.5	1515-16
Kerb close		1509-09.5
Open int.	212,733	
Total daily turnover	75,554	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1265-68	1300-05
Previous	1275-85	1305-15
High/low		1310/1305
AM Official	1271-77	1306-07
Kerb close		1300-02
Open int.	4,986	
Total daily turnover	728	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	817-8	816-7
Previous	809-10	810-11
High/low	814	817/813
AM Official	812-3	812-3
Kerb close		814.5-5
Open int.	32,677	
Total daily turnover	8,533	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7335-45	7430-40
Previous	7450-60	7545-50
High/low		7660/7400
AM Official	7365-70	7475-80
Kerb close		7410-15
Open int.	37,125	
Total daily turnover	11,210	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6210-20	6255-60
Previous	6245-55	6290-95
High/low		6300/6225
AM Official	6230-40	6272-75
Kerb close		6250-60
Open int.	14,266	
Total daily turnover	5,265	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1009/5-10.5	1035-35.5
Previous	1010-11	1035-36
High/low	1008/1008	1040/1033
AM Official	1008.5-09	1033-33.5
Kerb close		1035-36
Open int.	84,444	
Total daily turnover	17,233	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2085-87	2052-53
Previous	2100-05	2035-37
High/low	2085	2165/2015
AM Official	2125-30	2093-95
Kerb close		2025-26
Open int.	200,522	
Total daily turnover	92,257	

Base metals continued

■ LME AM Official £/$ rate: 1.5625
LME Closing £/$ rate: 1.5597

Spot: 1.5593 3 mths: 1.5585 6 mths: 1.5569 9 mths: 1.5515

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	386.65-386.95		
Opening	387.05-387.35		
Morning fix	386.90	247.50	466.25
Afternoon fix	386.55	247.57	466.51
Day's High	387.05-387.35		
Day's Low	386.65-386.95		
Previous close	386.20-386.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4.42 6 months 4.12
2 months .... 4.42 12 months 4.13
3 months 4.41

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.55	518.25
3 months	335.70	524.75
6 months	339.60	531.30
1 year	347.95	545.30

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	248-249
Maple Leaf	396.00-398.50	-
New Sovereign	86-90	55-57

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	21.99	+1.21	22.00	21.43	19,063	65,919
Nov	21.13	+0.81	21.26	20.92	9,593	26,278
Dec	20.84	+0.73	20.68	20.40	2,493	22,839
Jan	20.13	+0.64	20.13	19.96	1,295	14,379
Feb	19.65	+0.55	19.65	19.55	337	7,324
Mar	19.20	+0.43	19.16	19.08	08	7,481
Total					35,833	198,801

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	207.75	+11.00	209.00	201.50	5,786	21,248
Oct	204.50	+10.75	205.00	196.50	4,579	15,336
Nov	199.75	+9.50	200.25	196.50	1,771	10,226
Dec	196.50	+8.75	197.50	193.00	1,325	16,449
Jan	192.25	+8.00	192.00	189.50	1,472	6,473
Feb	186.75	+7.50	187.25	184.00	466	1,483
Total					16,304	81,646

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	107.75	-0.20	107.75	107.45	18	181
Nov	109.10	-0.55	109.30	108.75	378	2,901
Jan	111.05	-0.50	111.30	110.75	142	1,744
Mar	113.10	-0.45	113.30	112.75	114	1,009
May	114.95	-0.60	114.85	114.70	102	746
Jul	116.90	-0.25	117.00	116.50	20	87
Total					774	6,868

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.00	-0.45	-	-	-	58
Nov	102.35	-0.35	102.50	101.75	38	959
Jan	105.00	-0.25	105.00	104.25	23	459
Mar	107.00	-0.40	107.00	107.00	10	157
May	108.90	-0.35	-	-	-	60
Total					69	1,759

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	72.5	-	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	75.3	-0.6	76.0	74.5	120	1,171
May	85.6	-	-	-	-	15
Jun	85.0	-	-	-	-	-
Total					120	1,186

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1112	-7	1111	1110	45	607
Oct	1206	-28	1230	1206	342	1,494
Jan	1260	-7	1260	1260	5	802
Apr	1273	-3	-	-	-	242
Jul	1134	-4	-	-	-	27
Oct	1255	-	-	-	-	15
Total					422	3,427

	Close	Prev
BFI	1091	1100

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	938	-5	950	936	658	30,007
Dec	967	-11	975	965	2,421	37,113
Mar	988	-12	996	984	2,358	41,973
May	1006	-8	1011	1004	375	22,260
Jul	1022	-9	1029	1029	430	11,494
Sep	1039	-9	1042	1036	219	3,777
Total					6,687	167,270

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1668	-2	1680	1661	257	4,033
Nov	1622	-13	1645	1620	594	14,422
Jan	1580	-11	1594	1582	58	4,827
Mar	1548	-14	1554	1545	36	3,391
May	1528	-12	1540	1540	3	563
Jul	1524	-2	-	-	-	169
Total					946	27,405

Softs continued

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	350.3	+1.2	350.5	348.5	821	8,642
Dec	346.0	+2.0	346.4	346.0	63	4,875
Mar	341.5	+1.1	341.0	341.0	23	7,765
May	338.0	+0.8	-	-	-	3,053
Aug	338.3	+0.9	336.8	336.8	1	1,105
Oct	328.5	+2.3	-	-	-	1,058
Total					908	26,764

FUTURES DATA
All futures data supplied by CMS.

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	94	140	5	14
1500	22	72	29	45
1600	3	32	107	102
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1950	121	183	16	75
2050	58	85	55	125
2150	22	51	118	189
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	88	104	66	124
1650	66	85	94	155
1700	48	70	126	190
■ COCOA LCE	Dec	Mar	Dec	Mar
975	41	59	49	46
1000	30	47	63	59
1025	22	37	80	74
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
2150	65	89	-	-
2200	45	-	-	-
2250	-	-	-	-

Tea

Demand continued strong and general this week reports the Tea Brokers Association. Landed quality Assams sold well between 150 and 200p/kg. Coloury good liquoring invoices were fully firm around 130/140p/kg but plainer types tended easier. Bright East Africans advanced 5-8p with pd's still a strong feature. Colouny mediums and plainer descriptions were fully firm to often dearer. Offshore good demand at firm rates. Quotations: Landed best available 200-189p/kg. Good 135p/kg. Good medium 118p/kg. Medium 107p/kg. Low medium 85p/kg (nom). The highest price realised this week was 289p/kg for a Burundi pd.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$19.90-9.95	+0.755
Brent Blend (dated)	$22.13-2.15	+1.15
Brent Blend (Oct)	$21.98-2.00	+1.27
W.T.I.	$22.12-2.13x	
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$228-230	+11
Gas Oil	$209-210	+11
Heavy Fuel Oil	$103-105	+3
Naphtha	$200-202	+6
Jet fuel	$239-241	+11
Diesel	$211-212	+11
■ NATURAL GAS (Pence/therm)		
Bacton (Oct)	14.15-14.25	-0.025
■ OTHER		
Gold (per troy oz)♣	$386.80	+0.40
Silver (per troy oz)♣	516.50c	+2.50
Platinum (per troy oz.)	$395.50	-1.25
Palladium (per troy oz.)	$125.25	-0.25
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.19r	+0.11
Tin (New York)	290.50	
Cattle (live weight)	93.49p	-0.31*
Sheep (live weight)	120.31p	+6.07*
Pigs (live weight)†	104.37p	+1.12*
Lon. day sugar (raw)	$306.80	+1.10
Lon. day sugar (wte)	$365.10	-0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.00p	
Rubber (Nov)♥	88.00p	
Rubber (KL RSS No1)	332.00m	+1.50
Coconut Oil (Phil)§	$750.0z	
Palm Oil (Malay.)§	$565.0v	
Copra (Phil)§	$475.0z	
Soyabeans (US)	229.0	
Cotton Outlook'A' index	74.65	
Wooltops (64s Super)	428p	

Petroleum Argus. Tel. London (0171) 359 8792

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on n/ahead of pigs sold.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 2	Aug 30	month ago	year ago
1963.0	1953.7	1935.6	2221.0

■ CRB Futures (Base: 1967=100)

Aug 30	Aug 29	month ago	year ago
249.46	249.66	-	-

■ GSCI Spot (Base: 1970=100)

Aug 30	Aug 29	month ago	year ago
198.52	198.08	193.75	178.57

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	223.46	23.70	+0.0200	1.73
Lowes Aggressive Portfolio	£10.46	11.90	-0.0200	–
Lowes Defensive Pfolio	$12.02	12.83	-0.0200	–
Lowes Collective Pfolio Ltd	£11.10	11.75	-0.0800	–
TSB Fund Managers (CI) Ltd				
TSB Island Pension	723.9	762.0	-1.9	–
Island Equity Acc	127.6	134.2	-0.7	–
WMB Asset Management (Jersey) Ltd				
Worldinvest (Managers) Jersey Ltd				

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg

Fidelity Funds (u)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

AM Official 2125-30

Kerb close

Open int. 200,522

Total daily turnover 90,257

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

CHEMICALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

CHEMICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DISTRIBUTORS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRICITY

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING, VEHICLES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

FOOD PRODUCERS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

FOOD PRODUCERS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HEALTH CARE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INSURANCE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INVESTMENT TRUSTS

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind		£22½xd	—	£26¼	£22½	1,992	3.5	♦
Barlow	‡†	883	—	1017	855	1,155	2.3	–
Gold Flds Prop R		137½	—	170	120	14.8	6.3	10.6
MK Props		85	—	88	75	3.22	11.5	–
SASOL	▼	646	—	730	475	3,777	1.7	–
SA Brews		£16¼	—	£20¼	£16¼	4,059	2.2	♦
Standard Bank		£24⅞	+⅞	£32¼	£21⅞	2,958	1.5	21.9
Tiger Oats	†	790	—	1276	770	1,188	2.1	16.1
Tongaat-Hulett		790xd	—	1247	735	747.8	2.4	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ▼ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. q Rights issue pending. s Figures based on ... include a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. ♣ Dividend is paid in whole or part on a

FID (Foreign Income Dividend). R Forecast annualise yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

UK stocks advance in thin trading session

By Steve Thompson,
UK Stock Market Editor

Left to its own devices in the absence of any US influences, London's equity market never looked anything but comfortable yesterday, boosted by a sharp rise in oil shares and a number of excellent individual performances.

It shrugged off the lingering effect of the poor performance by Wall Street at the end of last week, and instead preferred to concentrate on a raft of optimism about potential takeover bids and encouraging news on the domestic economic front.

The end result was a strong rally in the FT-SE 100 index which managed to recoup almost all of Friday's decline. It closed 18.8 higher at 3,884.4, not far short of the day's best. The extent of the London market's recovery was limited, however, to the leaders.

Second line stocks, represented by the FT-SE Mid 250 were never in good shape and the Mid 250 index spent the day in negative territory, eventually closing a net 2.2 off at 4,414.0.

Dealers noted that the Mid 250 index was burdened by a handful of poor performers, such as Blenheim, whose shares plummeted over 15 per cent in the wake of the termination of takeover talks and Henlys, down almost five per cent after worries about margins.

There was no doubting the impact of recent events in the Middle East, where Iraq's military intervention and subsequent withdrawal triggered a steep rise in crude oil prices, which in turn saw oil shares leap ahead.

Big gains in the integrated oil majors, BP, Shell and Burmah Castrol, as well as the exploration and production stocks, Enterprise and Lasmo were worth just short of seven FT-SE 100 points. Oil sector specialists warned, however, that the sudden jump in oil prices could well correct itself in the near future, leaving the sector overbought.

With Wall Street closing well off its lows on Friday evening, London opened in reasonable form and made good early progress after news of a strong UK Purchasing Managers index for August, which showed a good revival in the manufacturing side of the UK economy.

MO money supply statistics were viewed as slightly disappointing, and helped damp down the gilts market, which showed minor falls during the morning session. But the overall picture in equities was bullish with the ever-present takeover stories still in the background and driving stocks like Zeneca and Lloyds Abbey Life.

Mr Richard Jeffrey, economist at Charterhouse Tilney, the stockbroker, remained bullish of the stockmarket and the economy; "We're beginning to see the revival of the manufacturers, which will be reflected in the performance of those sectors; July was dire, now the pick-up is starting to come through forcefully."

Turnover in equities at 6pm was a dismal 371.6m shares. Customer business on Friday was valued at £1.55bn.

Indices and ratios

FT-SE 100	3884.4	+18.8	FT Ordinary index	2807.7	+10.4
FT-SE Mid 250	4414.0	-2.2	FT-SE-A Non Fins p/e	17.43	17.36
FT-SE-A 350	1944.8	+6.5	FT-SE100 Fut Sep	3893.0	+13.0
FT-SE-A All-Share	1922.02	+6.04	10 yr Gilt yield	7.88	7.90
FT-SE-A All-Share yield	3.83	3.84	Long gilt/equity yld ratio	2.15	2.15

Best performing sectors

1	Tobacco	+2.4
2	Oil : Integrated	+1.7
3	Oil Exploration	+1.6
4	Mineral Extraction	+1.6
5	Extractive Inds	+1.0

Worst performing sectors

1	Electricity	-0.7
2	Retailers : Food	-0.7
3	Water	-0.6
4	Breweries : Pubs & Rest	-0.5
5	Textiles & Apparel	-0.4

Royal Sun boost

Royal Sun Alliance was the best performer of the day as the stock celebrated inclusion in the prestigious Morgan Stanley Capital International Index.

The shares jumped 12 to 418p after trade of 3.9m, after the stock replaced General Accident in the index. GA was in turn one of the FT-SE 100's worst performers, giving up 16½ to 640p.

Sentiment in Royal Sun was enhanced by a suggestion from several brokers that the group, which has a chain of estate agents, should benefit from the improving UK housing market.

One analyst said the improved housing climate should see a reduced need for domestic mortgage indemnity provisions. This would allow funds to be used by the group to sustain both dividend growth and declining profits expected to be a feature of the sector over the next few years.

The prospect of a crisis in the Gulf helped trigger a sharp increase in international crude oil prices which helped boost leading oil issues in the London market. The new worries in the Middle East helped the sector shake off a feeling in recent weeks that it had moved too far ahead and one market watcher said: "This sector is likely to continue going up for as long as there is uncertainty."

Another oil specialist said simply: "This will probably put back the return of Iraqi oil to the international market even further."

By the end of the session, shares in BP showed a gain of 12 to 632½, while those of Shell Transport jumped 12½p to 943½p. Enterprise Oil rose 13½ to 523p.

The positive sentiment in the sector together with improved figures from Burmah Castrol saw the shares advance 20 to 1068½p. Ms Irene Himona at SGST said the group had produced a "solid set of figures" and remains positive on the stock. She indicated the broker has a 1200p a share target for the stock.

Rumours of a price war led by Tesco adversely affected the food retailing sector. Analysts speculated that within the next few weeks Tesco would launch a price campaign in the highly competitive food market with its main target being Asda. Analysts said, however, that the price initiative had to be put into the context that only 300-400 lines would be affected. Tesco fell 2¼ to 300½p and Asda ¾ to 111¼p.

Meetings between analysts and Allied Domecq, which is selling its stake in Carlsberg-Tetley to Bass, cast a positive glow on the stock, which climbed 7 to 466½p after upbeat reports on current year trading.

Goldman Sachs gave the stock a push while a number of analysts who have not yet upgraded forecasts were considering doing so.

Bass however fell 11 to 831p with one big seller in the market at a time when there are concerns that its acquisition of Carlsberg-Tetley might be referred to the Monopolies and Mergers Commission.

Tom Cobleigh, the pub operator, fell 9½ to 189p with the market taking the view that no purchaser has been found for the 50 per cent stake held by European Acquisition Capital.

UBS was said to be cautious on both the regional electricity companies and the generators. The day's big falls in the sector included Northern, down 10½ at 528p, Scottish Hydro, 12 off at 289p, Yorkshire 14½ lighter at 754½p, and London which eased 8½ to 621½p.

Rank was one of the best performers on the FT-SE 100, climbing 14½ to 462½p on a combination of factors including weekend press reports that the leisure group's planned disposal programme was getting under way.

Rank, which has been under sustained share price pressure, this week is talking through its strategy with its 20 largest clients with details of the disposals expected shortly.

Blenheim tumbled 59 to 337½p in the wake of last week's announcement that talks with a third party which could have resulted in a takeover had been terminated.

Allders advanced 1½ to 220p after announcing it was buying 8 department stores from Owen Owen for £29.6m and it was also recommending, subject to shareholders' approval, payment of a special dividend of 46p per share. Analysts said the special dividend was a hit higher than expected and there might be some buying by gross funds ahead of the shares going ex-dividend.

W. H. Smith hardened 1½ to 512½p following positive media reports. A "buy" note by Robert Fleming said the low point in the group's history had now "clearly passed" and with much of the pain already taken profits were set to steadily recover.

Unilever climbed 23 to 1292½p after media reports that Mr Niall Fitzgerald, its new chairman, is planning to cut back on some of the group's weaker brands.

Analysts said that the advent of a new chairman had generated lots of optimism but time would tell if it was justified. Key issues, said one analyst, were how capital would be redeployed and the group's strategy on expansion outside of Europe.

Tate & Lyle was the worst performer on the FT-SE 100, tumbling 11 to 450p after the company hosted a number of update meetings with analysts. ABN-AMRO Hoare Govett reduced its forecast for the current year from £281m to £275m while SBC Warburg tweaked downwards next year's forecast.

Cadbury Schweppes advanced 2¼ to 515½p ahead of interim results tomorrow.

Blue Circle added 8 to 376½p despite suggestions that James Capel had adopted a cautious view on the stock in a comprehensive review of the building materials sector. The review suggested a number of buys. These included Wolseley, which fell 2 to 460p, Travis & Perkins which softened to 451p and CRH which fell 12½ to 636½p. Redland, which James Capel considered to be expensive, added 2½ to 441½p.

A sector update from NatWest Securities on building materials and building and construction said the interim results season was about to commence and profits were set to fall by about 20 per cent in the building materials sector and by about 8 per cent among the contractors.

It expected poor figures from Tarmac, which softened 1 to 100½p, Graham, which fell 1½ to 153p, and Ibstock, which was unchanged at 65p.

ICI climbed 20½ to 829p, with Kleinwort Benson moving it from a "hold" to a "trading buy" on the basis of an improving economic outlook in Europe for the sector, particularly in Germany, and more positive news on industrial chemicals.

FINANCIAL TIMES EQUITY INDICES

	Sep 2	Aug 30	Aug 29	Aug 28	Aug 27	Yr ago	*High	*Low
Ordinary Share	2807.7	2797.3	2805.7	2838.9	2835.3	2644.0	2886.2	2668.8
Ord. div. yield	4.05	4.06	4.05	4.01	4.02	4.08	4.22	3.76
P/E ratio net	17.02	16.96	17.00	17.18	17.16	15.78	17.25	15.80
P/E ratio nil	16.86	16.80	16.84	17.02	16.98	15.60	17.08	15.71

Ordinary Share Index since compilation: high 2886.2 10/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2799.4	2803.9	2803.3	2802.5	2801.1	2801.6	2801.9	2802.2	2804.9	2807.7	2799.4

	Sep 2	Aug 30	Aug 29	Aug 28	Aug 27	Yr ago
SEAQ bargains	27,395	31,732	36,751	36,207	34,938	24,897
Equity turnover (£m)†	-	1547.0	2240.8	1637	1286.8	1226.6
Equity bargains†	-	36,417	40,071	42,821	38,003	36,955
Shares traded (ml)†	-	521.7	892.7	624	476.2	575.9

†Excluding intra-market business and overseas turnover.

	Sep 2	Aug 30	Aug 29	Aug 28	Aug 27	Yr ago	*High	*Low
FT-SE AIM	1083.70	1082.40	1086.30	1088.20	1089.10	-	1140.40	965.70

*For 1996.

■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	637	Total Highs	30	Total contracts	16,615
Total Falls	505	Total Lows	52	Calls	7,641
Same	1,532			Puts	8,974

Sept 2 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3885.0	3884.5	+14.0	3895.0	3860.0	3900	56805
Dec	3910.0	3915.5	+13.5	3916.5	3893.0	426	7913
Mar	-	3927.0	+14.0	-	-	0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4400.0	-19.0	-	-	0	3769

■ FT-SE 100 INDEX OPTION (LIFFE) (*3880) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls ... Puts ... * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
-	F.P.	4.65	16½	13	†London & Ed Publ	15¼		b0.25	3.9	2.0	11.6
-	F.P.	0.44	7	3	Pemberstone Wrts	7		-	-	-	-
§100	F.P.	79.1	86	80¼	Schroder Em Ctrs	80¾		-	-	-	-
§	F.P.	8.54	37½	31	Schroder Em Wts	37½	+2	-	-	-	-
-	F.P.	40.9	375	343	Schroder Em Ct O	372		-	-	-	-
§65	F.P.	13.3	70	66	†Selector	68		-	-	-	-
-	F.P.	-	89½	85	St James Place	87	-½	-	-	-	-
-	F.P.	-	73	70	Value Rlstn Tst	71½	+¼	-	-	-	-
§70	F.P.	6.34	72	70½	Walker, Crips	70½		3.0	2.2	5.3	10.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 2	% chg on day	Aug 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(30)	2938.76	0.9	2931.43	1996.49	1.86	-	2829.73	1722.93
■ Regional Indices								
Africa (13)	2888.92	+1.1	2858.01	2771.97	3.01	37.59	3553.86	2272.74
Australasia (6)	2315.26	-2.6	2376.36	2405.50	2.49	22.86	2927.34	2123.50
North America (11)	1807.04	0.0	1807.87	1671.29	0.73	66.77	2186.39	1486.94

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FT - SE Actuaries Share Indices — The UK Series

	Sep 2	Day's chge%	Aug 30	Aug 29	Aug 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3884.4	+0.4	3867.6	3885.0	3913.7	3522.7	4.03	2.07	15.01	134.10	1606.99
FT-SE Mid 250	4414.0	-0.1	4416.2	4432.1	4437.6	3942.6	3.42	1.64	22.26	129.05	1787.70
FT-SE Mid 250 ex Inv Trusts	4461.5	-0.1	4464.2	4469.2	4474.6	3961.0	3.51	1.68	21.21	135.54	1808.39
FT-SE-A 350	1944.8	+0.3	1938.3	1946.7	1960.5	1758.2	3.90	1.99	18.14	64.95	1646.10
FT-SE-A 350 Higher Yield	1851.0	+0.3	1846.0	1856.4	1871.2	1744.4	5.24	1.88	12.68	83.12	1316.98
FT-SE-A 350 Lower Yield	2045.8	+0.4	2037.9	2044.3	2057.2	1776.6	2.70	2.17	21.34	47.25	1426.37
FT-SE SmallCap	2164.50	+0.1	2163.09	2164.86	2162.78	1973.88	3.04	1.85	24.93	46.21	1788.03
FT-SE SmallCap ex Inv Trusts	2158.80	+0.1	2156.82	2156.96	2154.46	1952.40	3.24	1.73	22.28	48.36	1794.85
FT-SE-A ALL-SHARE	1922.02	+0.3	1915.98	1923.75	1936.24	1738.50	3.83	1.97	16.58	62.41	1650.38

■ **FT-SE Actuaries All-Share**

	Sep 2	Day's chge%	Aug 30	Aug 29	Aug 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3676.30	+1.6	3618.76	3633.45	3664.37	2978.17	3.70	1.63	20.71	93.81	1590.46
12 Extractive Industries(6)	4247.80	+1.0	4206.61	4225.63	4236.67	3966.43	3.76	2.52	13.14	109.19	1250.02
15 Oil, Integrated(3)	3762.37	+1.7	3700.77	3716.52	3744.18	2987.59	3.88	1.48	21.72	100.98	1671.29
16 Oil Exploration & Prod(15)	2706.55	+1.6	2664.68	2659.93	2672.85	2053.16	1.94	1.54	41.85	34.94	1630.11
20 GEN INDUSTRIALS(274)	2048.56	+0.4	2040.19	2043.50	2055.06	2009.02	4.23	1.82	16.25	57.77	1131.00
21 Building & Construction(34)	1162.38	-0.3	1165.59	1173.18	1179.96	948.94	3.57	1.63	21.51	23.17	976.99
22 Building Matls & Merchs(28)	1922.59	+0.4	1914.70	1931.58	1951.54	1823.64	3.98	1.71	18.38	48.45	978.67
23 Chemicals(25)	2421.74	+0.8	2401.26	2404.66	2415.60	2478.08	4.18	1.64	18.27	77.61	1163.36
24 Diversified Industrials(18)	1549.82	+0.9	1535.34	1528.51	1542.34	1863.56	6.73	1.64	11.36	62.91	878.66
25 Electronic & Elect Equip(36)	2368.42	....	2369.52	2352.76	2366.52	2148.30	3.29	1.54	24.71	57.55	1245.59
26 Engineering(71)	2510.32	+0.4	2501.48	2514.33	2514.55	2135.06	3.20	2.46	15.85	55.52	1537.42
[illegible]											
70 FINANCIALS(104)	3097.89	....	3098.16	3127.62	3149.60	2554.22	4.25	2.40	12.22	111.33	1358.85
71 Banks, Retail(8)	4399.43	-0.2	4407.28	4457.72	4504.18	3503.42	4.12	2.71	11.20	174.00	1470.18
72 Banks, Merchant(6)	3758.16	....	3759.05	3769.26	3763.66	3838.79	2.65	2.53	18.70	63.39	1198.70
73 Insurance(22)	1484.31	+0.8	1471.84	1486.46	1497.21	1309.37	5.65	2.31	9.58	60.05	1134.56
74 Life Assurance(7)	3476.47	....	3476.15	3519.13	3536.06	2762.44	4.28	2.21	13.19	103.40	1456.50
77 Other Financial(20)	2820.15	-0.1	2821.68	2826.31	2824.66	2258.38	4.09	1.73	17.65	77.11	1513.12
78 Property(41)	1644.88	....	1644.16	1647.27	1637.27	1454.23	3.88	1.25	25.70	41.17	1025.00
80 INVESTMENT TRUSTS(127)	3177.79	....	3178.31	3195.11	3201.20	2962.27	2.24	1.11	50.51	51.78	1117.90
89 FT-SE-A ALL-SHARE(895)	1922.02	+0.3	1915.98	1923.76	1936.24	1738.50	3.83	1.97	16.58	62.41	1650.38
FT-SE-A Fledgling	1240.19	....	1239.97	1239.84	1239.62	1066.58	2.76	2.32	19.54	24.06	1307.05
FT-SE-A Fledgling ex Inv Trusts	1254.26	....	1253.78	1252.47	1252.13	1060.29	2.85	2.50	16.95	26.19	1323.03

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3873.7	3880.3	3878.5	3877.2	3875.8	3875.9	3874.9	3875.0	3880.3	3885.3	3873.7
FT-SE Mid 250	4412.5	4413.4	4414.4	4415.3	4415.0	4414.3	4414.1	4414.3	4414.0	4415.8	4412.4
FT-SE-A 350	1940.4	1943.2	1942.5	1942.0	1941.5	1941.4	1941.0	1941.1	1943.2	1945.2	1940.4

Time of FT-SE 100 Day's high: 9:13 AM Day's low: 8:30 AM. FT-SE 100 1996 High: 3916.7 (28/08/96) Low: 3632.3 (16/07/96).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1161.3	1161.7	1152.0	1151.5	1151.5	1151.5	1151.5	1161.5	1149.2	1149.2	1161.7	-2.5
Pharmaceuticls	5407.5	5421.2	5419.5	5418.3	5420.5	5420.3	5420.3	5423.4	5421.7	5424.8	5408.9	+15.9
Water	2238.7	2239.7	2235.0	2239.1	2231.8	2231.8	2230.9	2229.2	2229.2	2228.6	2241.5	-12.9
Banks, Retail	4458.4	4465.4	4470.5	4469.6	4468.1	4458.1	4451.5	4449.9	4449.3	4455.6	4463.5	-7.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. Trades of one million or more are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 2 / Sch)

BELGIUM/LUXEMBOURG (Sep 2 / Frs.)

CZECH REP (Sep 2 / Koruna)

DENMARK (Sep 2 / Kr)

FINLAND (Sep 2 / Mkn)

FRANCE (Sep 2 / Frs.)

GERMANY (Sep 2 / Dm.)

GREECE (Sep 2 / Drachma)

ITALY (Sep 2 / Lira)

NETHERLANDS (Sep 2 / Fls.)

NORWAY (Sep 2 / Kroner)

POLAND (Sep 2 / Zloty)

PORTUGAL (Sep 2 / Escudo)

SPAIN (Sep 2 / Pts.)

SWEDEN (Sep 2 / Kronor)

SWITZERLAND (Sep 2 / Frs.)

TURKEY (Sep 2 / TL Lira)

PACIFIC

JAPAN (Sep 2 / Yen)

HONG KONG (Sep 2 / H.K.$)

INDONESIA (Sep 2 / Rupiah)

MALAYSIA (Sep 2 / MYR)

NEW ZEALAND (Sep 2 / NZ $)

SINGAPORE (Sep 2 / S$)

AUSTRALIA (Sep 2 / Aust.$)

SOUTH KOREA (Sep 2 / Won)

TAIWAN (Sep 2 / TW $)

THAILAND (Sep 2 / Baht)

NORTH AMERICA

CANADA

TORONTO (Aug 30 / Can $) Closed Sep 2

MONTREAL (Aug 30 / Can $) Closed Sep 2

AFRICA

SOUTH AFRICA (Sep 2 / Rand)

INDICES

Hong Kong							
Hang Seng(31/7/64)	11106.57	11159.02	11328.21	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3562.98	3514.61	3483.61	4069.29	18/6	2826.06	25/1
Indonesia							
Jakarta Comp.(10/8/82)	545.02	547.61	550.02	608.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2535.16	2543.51	2557.61	2595.19	18/6	2204.81	2/1
Italy							
Banca Comm Ital(1972)	592.84	598.95	602.42	674.30	20/5	572.21	27/3
MIB General(2/1/95)	1004.0	1015.0	1021.0	1142.00	20/5	978.00	27/3
Japan							
Nikkei 225(16/5/49)	20107.11	20186.90	20553.16	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	287.04	287.47	290.28	319.70	26/6	284.48	11/3
SBC General(1/4/87)	1234.45	1233.50	1242.58	1284.88	11/7	1114.47	26/1
Taiwan							
Weighted Pr.**(30/6/66)	6342.17	6309.82	6312.43	6560.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1086.23	1102.32	1105.59	1415.04	6/2	1084.04	31/7
Turkey							
Istanbul Crp.(Jan 1986)	63275.8	(c)	64533.3	73571.30	8/7	36779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	756.5*	758.9	773.3	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1640.34	1642.17	1658.54	1709.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1409.74	1408.68	1419.17	1468.28	25/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	373.60	375.45	389.10	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	158.91	159.31	168.81	4/7	147.36	2/1

INDEX FUTURES

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	1980.0	1981.0	+8.0	1983.0	1972.0	4,249	31,289
■ DAX							
Sep	2537.0	2543.0	+4.0	2546.0	2536.0	6,341	-
Dec	2557.0	2561.0	+4.0	2563.0	2555.5	330	-

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	1556.60	1561.00	+3.00	1561.00	1555.00	1,845	21,744
Oct	1564.00	1562.00	-12.50	1564.00	1562.00	20	1,270
■ SOFFEX							
Sep	3660.0	3658.5	+8.0	3662.0	3636.5	3,156	25,031
Oct	-	3664.1	-	-	-	60	561

** Sat Aug 31 Taiwan Weighted Price 6324.60; Korea Comp Ex. 781.49. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX – all 1,000. JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Sep 2 - 2539.34 +3.85

US INDICES

Dow Jones	Aug 30	Aug 29	Aug 28	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5616.21	5647.65	5712.38	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.82	101.76	101.96	105.89 (14/2)	100.89 (15/7)	108.77 (16/10/93)	54.99 (1/10/81)
Transport	2044.76	2057.34	2071.09	2286.20 (22/5)	1882.71 (18/1)	2286.20 (22/5/96)	12.32 (8/7/32)
Utilities	214.38	218.32	218.91	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5659.80 (5716.82) Low 5571.45 (5619.47) (Theoretical†) Day's high 5646.64 (5712.01) Low 5585.47 (5626.89) (Actual†)

Standard and Poors	Aug 30	Aug 29	Aug 28	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	651.99	657.40	664.81	678.51 (24/5)	598.48 (10/7)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¥	770.39	776.82	785.34	807.88 (5/6)	702.07 (15/7)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	67.88	68.58	69.40	70.88 (22/5)	58.57 (10/1)	70.88 (22/5/96)	8.64 (1/10/74)
NYSE Comp.	350.99	353.36	355.79	363.74 (24/5)	321.21 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	560.65	561.34	563.39	614.88 (22/5)	525.60 (16/7)	614.88 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1141.50	1145.03	1153.85	1249.14 (5/6)	988.57 (15/7)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 30	Aug 23	Aug 16	Year ago
Dow Jones Ind. Div. Yield	2.25	2.21	2.18	2.46
	Aug 28	Aug 21	Aug 14	Year ago
S & P Ind. Div. yield	2.02	2.02	2.04	2.07
S & P Ind. P/E ratio	21.77	21.74	22.04	18.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	10,082,800	28¾	+⅛
NationsBK	8,610,400	85½	-7¼
Federal N	3,323,400	31	-1
Coca Cola	2,528,100	50	-⅜
Natl Semic	2,406,000	18⅜	+⅛
Wal-Mart	2,293,000	25⅜	----
Philip Mr	2,228,400	89¼	-⅜
Hewlett-P	2,088,500	43⅜	-¼
Chase Man	1,278,800	74⅜	-1½
Merrill Ly	1,650,800	61¼	-1

■ TRADING ACTIVITY

● Volume (million)

	Aug 30	Aug 29	Aug 28
New York SE	258.946	321.082	298.382
Amex	13.748	15.587	16.587
NASDAQ	342.985	429.273	470.655
NYSE			
Issues Traded	3,138	3,184	3,161
Rises	805	742	1,305
Falls	1,474	1,831	979
Unchanged	852	611	877
New Highs	32	50	94
New Lows	27	30	21

■ S&P 500 (Aug 30)	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	657.25	651.25	-	658.00	648.20	73,616	163,683
Dec	663.40	657.10	-	663.80	655.00	8,263	28,298

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	20230.0	20150.0	-20.0	20230.0	20080.0	23,204	204,410
Dec	20190.0	20140.0	-50.0	20240.0	20090.0	21,294	109,121

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ¤ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, September 2, 1996

	Stocks Traded	Closing Prices	Change on day
Mitsui Matushima	5.9m	715	-10
TYK Corp	5.6m	1490	-90
Hoko Fishing	4.4m	502	+65
Teisan	3.6m	866	+11
Nippon Credit Bk	3.4m	376	+1
Tky Kikai Seisak	2.8m	1090	+20
Nippon Steel Cp	2.1m	343	[illegible]
Kobe Steel	1.9m	282	[illegible]
Mitsubishi Hvy	1.9m	869	[illegible]
Toshiba Corp	1.7m	70[illegible]	[illegible]

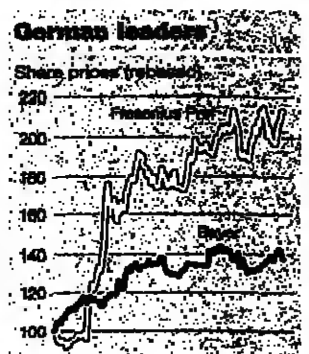
Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

Total day's turnover 1998

مكتبة امين الاحمد

Top cyclicals lead German Dax stocks



Bayer, BASF and Hoechst, the "big three" chemical stocks, led German blue chip share price gains in the first eight months of this year, *writes William Cochrane.* Tbey climbed 39.9, 38 and 33.4 per cent respectively, against a 12.9 per cent rise in the Dax 30 index.

In August, carmakers started coming througb more strongly than before, Volkswagen rising by 10 per cent against a Dax 30 gain of 2.2 per cent, according to figures produced by Merck Finck in Düsseldorf.

Profits have been good; but tbe Frankfurt market has also been converted to the cult of sbareholder value. Vaba, the utility, chemicals and oil combine was regarded as the first German company whicb took a serious decision to run its business for the benefit of its shareholders; the policy is still paying off, the shares running fourth in the January/August blue chip charts with a gain of 27.5 per cent. Hoechst joined the club with its Marion Merrell Dow drugs acquisition in the US enhanced by its promotion of the sharebolder value concept.

There bave been casualties. Allianz, Germany'e biggest insurer, fell 5.7 per cent over the eight-month period – or 18.5 per cent relative to tbe Dax 30. Siemens, tbe electrical engineering giant, has come back by 0.4 and 11.7 per cent respectively.

As the two biggest Dax 30 constituents, Allianz and Siemens have suffered from the impending DM15bn flotation of Deutsche Telekom, and the coming Dax 30 inclueion of Munich Re, the world'e biggest reinsurer.

Mr Eckhard Frahm at Merck Finck says big institutional investors have been conserving or creating liquidity in their portfolios to absorb the Telekom float. Munich Re reacted to its Dax 30 inclusion with a leap from DM2,700 to DM3,600 between June 4 and August 7.

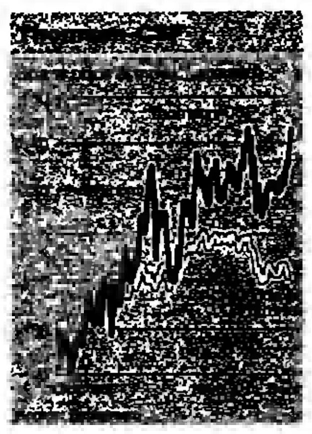
International investors, bowever, have been active outside the Dax 30. The M-Dax index, composed of the next 70 stocks within the Dax 100-sbare index, is led by Fresenius prefs, Adidas and SGL Carbon: up 112.7, 67.7 and 62.7 per cent respectively this year, thie trio reflect the appeal of an transcontinental initiative in dialysis treatment; the attraction of sportswear in a big sporting year; and the need to find another high tecb stock in the Germany corporate economy.

● In the absence of US influence, the Dax index rose 3.85 to an Ibis-indicated 2,533.34, but turnover fell from DM5.5bn to DM3.9bn.

Well Street and Toronto were closed for tbe Labor Day boliday.

EUROPE

Oil sector, Thomson-CSF lift Paris bourse



A strong performance by the oil sector and a rise of more than 5 per cent by the consumer and defence electronics combine, Thomson-CSF, lifted PARIS after five straight days of decline.

At the close, the CAC-40 was 6.37 ahead at 1,976.98 in turnover of FFr2.3bn, around half the daily average. Elf Aquitaine and Total reced ahead following a steep jump in oil prices on Iraq's attack on the Kurdish-held north; in addition, there were hopes for strong results from the sector later this week. Total, which reports interime tomorrow, added FFr7.40 to FFr379.90 while Elf rose FFr8.10 to FFr376.90.

Thomson-CSF soared as takeover speculation was revived by the news that Alcatel Alsthom was discussing a merger of its GEC Alsthom joint venture with Framatome. The shares gained FFr7.20 to FFr147.50, and Alcatel Alsthom added FFr4.40 at FFr396.40.

Euro Disney put on FFr0.55 to FFr12 after press reports had suggested the company was on track for a second annual profit.

AMSTERDAM moved higher in low volume, the AEX index closing 3.99 higher at 554.98. Royal Dutch was underpinned by firm oil prices, rising Fl 3.90 to Fl 251.90; and the foods and detergents combine, Unilever, put on Fl 4.40 at Fl 242.90 following press speculation about an impending group restructuring.

One Dntch analyst said that evidence of a restructuring could quickly unlock shareholder valne at Unilever. He suggested that target prices for the stock started at around Fl 280.

ZURICH was lifted by a strong showing in the pharmacentical sector and the SMI index finished 8.4 higher at 3,654.7. Ciba rose SFr25 to SFr1,540 and Sandoz SFr18 to SFr1,446 as CS Research recommended overweighting the Novartis partners on their higher than expected sales in the first half of the year.

Winterthur eased SFr2 to SFr732 as it unvelled a joint venture with tha UK's Skipton Building Society in a move designed to make the Swiss insurer a major player in the mortgage services area. Merrill Lynch, which recommended the stock and set a share price objective of SFr900, said that Winterthur had a large life insurance business which was substantially undervalued.

MILAN was gloomy after GDP figures last week, which indicated that the economy was slowing more than expected. The Comit index dropped 6.11 to 592.84.

Generali extended recent losses, falling another L627 to L32,622. Analysts said that insurers continued to suffer from rumours that the next budget, due to be presented to parliament by the end of the month, would contain a tax on technical reserves. Among the other insurers, RAS fell L257 to L12,760, SAI lost L150 to L12,200 and Alleanza was L147 weaker at L11,277.

Olivetti remained ont of favour, falling L24.5 to L765.1 after last week's meeting with London investors.

MADRID survived a big day for results with the broad market flat in low volume, the general index closing 0.14 higher at 354.45 in turnover almost halved at Pta13.8bn.

Uralita, the building materials group, reported net profits down from Pta3.77bn to Pta1.55bn for the eix months to June, and was punished with its shares down Pta40, or 3.8 per cent at Pta1,020.

HELSINKI was weak in subdued trade and the Hex index lost 10.62 to 2,133.75. Outokumpu fell FM3.40 to FM81.10 after the metals and mining group released a profits warning, saying that its May to August result would clearly be weaker than its January to April profit, and that the full year 1996 profits would be significantly lower than in 1995.

Merita, the banking group, fell 18 penni to FM9.30 on continued doubts about its earnings prospects.

ISTANBUL, which was closed for a holiday last Friday, reacted badly to weekend fighting in Kurdish-held northern Iraq. The composite index fell 1,257.51, or 1.95 per cent to 63,275.86, turnover dropping by TL1,900bn to TL4,300bn.

The main worry was that the Kurdish conflict would be heightened by western intervention. However, said a banker, the market was also worried about the Turkish Treasury's ability to borrow in domestic markets to meet heavy treasury bill repayments this month.

WARSAW made steady gains as the Wig index topped the 14,000 level for the first time since July's 1996 high of 14,282.2. The Wig climbed 107.4 to 14,039.4 in turnover of 81.5m zlotys.

Among prime stocks, the most significant gainer was the steel trading company, Stalexport, which was fixed 2.10 zlotys or 4.4 per cent higher at 49.80 zlotys, still driven by speculation over whether the company would retrieve as much as 75m zlotys in accrued interest on overpaid taxes.

Bank Rozwoju Export lost 2 zlotys to 82 zlotys in a correction after its recent gains.

BUDAPEST registered a second successive record high, the Bux index rising 100.71 or 2.9 per cent to 3,574.65. Some traders referred to market talk that the Hungarian share market was still undervalued, in spite of the fact that the Bux index had more than doubled this year. Otbers thought that the market was overheated, and vulnerable.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices

Sep 2 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1641.58	1641.68	1641.05	1639.54	1640.11	1640.58	1640.54	1640.34
FT-SE Eurotrack 200	1713.79	1712.87	1712.26	1711.10	1711.48	1711.31	1712.17	1712.88

	Aug 30	Aug 29	Aug 28	Aug 27	Aug 23
FT-SE Eurotrack 100	1642.17	1655.54	1660.30	1657.29	1655.71
FT-SE Eurotrack 200	1712.35	1724.74	1722.81	1729.82	1734.95

Base value 1000 (26/10/90). [illegible]

ASIA PACIFIC

Earnings worries prompt Nikkei to edge lower

Tokyo

The dollar's rise against the yen supported exporting companies, hnt fears of downward earnings revisions among blue chip manufacturers left the Nikkei avearage marginally lower, *writes Emiko Terazono in Tokyo.*

The 225 index fell 59.79 to 20,107.11 after moving between 20,032.19 and 20,230.10. The Topix index of all first section stocks lost 3.82 at 1,539.67 and the Nikkei 300 shed 0.43 at 287.04.

In London, the ISE/Nikkei index rose 3.74 to 1,370.20.

Volume totalled 206m shares against 381.4m. With the ebsence of orders from the US due to the Labor Day weekend, most investors refrained from trading.

Weekend reports that steel companies would announce lower than expected earnings for the first six months to September weighed on confidence. Investors were also discouraged by last week's tankan survey of business confidence which revealed thet inventory clearance in the material sectors was lagging.

Leading steels lost ground. Nippon Steel fell Y1 to Y343, Sumitomo Metal Industries declined Y4 to Y303 and Kobe Steel lost Y3 to Y282.

Among high-technology stocks which gained ground on currency considerations, NEC added Y10 to Y1,170 and Fujitsu gained Y10 to Y989. Some car stocks, however, were lower on profit-taking by foreigners with Toyota Motor down Y10 to Y2,610 and Mazda Motor losing Y1 to Y500.

Reports that prosecutors were setting up a task force to look into massive losses at Sumitomo Corporation, the trading bouse, resulting from copper trades hit the stock, which closed down Y15 at Y902.

Green Cross which specialises in blood products, fell Y5 to Y445 after the drug maker announced that its earnings had been hit by involvement in an HIV scandal, and that it was asking for assistance from Sakura Bank, its main creditor.

The Iraqi attack on the Kurdish city of Arbil in northern Iraq helped oil distributors and refiners. Nippon Oil rose Y7 to Y672, Japan Energy gained Y6 to Y380 and Cosmo Oil added Y14 to Y644.

In Osaka, the OSE average fell 31.56 to 21,272.87 in volume of 46.9m shares.

Roundup

Subdued sentiment ahead of August inflation figures, which came after the market closed, left BANGKOK 1.5 per cent lower in thin trade. The SET index, negative all day, ended 16.09 down at 1,086.23. In the event, inflation edged up to 5.5 per cent in August from 5.4 per cent in July.

SYDNEY was cautious about developments in Iraq, and Wall Street's likely response, and the All Ordinaries index lost 12.0 at 2,256.7.

Southcorp bncked the overall trend, adding 6 cents to A$3.24 on the back of better than expected results which sparked talk of broker profit upgrades.

Among other companies to report, Mayne Nickless dipped 7 cents to A$8.40 and Amcor came off 12 cents to A$7.62. National Australia Bank dropped 16 cents to A$12.17 and Commonwealth Bank 17 cents to A$10.73.

WELLINGTON closed lower, pressured by Friday'e overnight falls on Wall Street and bottom of the range results from Air New Zealand. The top 40 index ended 12.05 down et 2,216.72.

Trading was dominated by big lines in Lion Nathan, down 3 cents to NZ$3.75, Fletcher Paper down 2 cents to NZ$2.76, and Energy Direct, np 2 cents to NZ$3.00. Telecom eased 5 cents to NZ$6.88.

Air New Zealand ended 4 cents lower at NZ$3.14 after reporting a decline in full year profits. The airline announced that trading was likely to remain difficult in 1997.

HONG KONG finished easier, pressured by fears of higher interest rates, but prices picked up from their lows as bargain-bunters stepped in around support levels. The Hang Seng index fell 52.45 to 11,106.57, after a session low at 11,046.82, in very qniet turnover of HK$2.9bn.

SINGAPORE was weak in response to disappointing results, with investors already discounting an expected downgrading later this week of its weighting in the Morgan Stanley Capital Index. The Straits Times Industrial index fell 24.74 to 2,128.80.

SEOUL ran into profit-taking after the sharp rises at the end of last week and analysts forecast further volatility until the government announced scheduled steps to expand the foreign shareholders' ceiling to 20 per cent. The composits index eased 7.23 to 774.26.

Blue-chips were pressured by the release of figures showing that August's trade deficit was at a monthly record high of $2.9bn against $901m a year ago.

Samsung Electronics rose Won100 to Won61,500, on active foreign buying.

KUALA LUMPUR gave back all Friday's gains on profit-taking, and the composite index finished 12.37 weaker et 1,106.20. Analysts noted that the index fall was exaggerated by an 18.9 per cent drop in Nestlé to M$20.20 after its sharp rise on Friday. The newly listed Teck Guan closed at M$8.70 against an offer price of M$2.30.

BOMBAY was higher on hopes that the finance minister would offer incentives to retail and institutional investors in a debate today on the federal budget for 1996/97. The BSE-30 index, which climbed 2.4 per cent last week, rose another 48.37 to 3,562.98.

Mexico City edges higher

The US boliday made for subdued activity in Latin America. MEXICO CITY edged bigher with activity seen in Telmex L shares up 0.2 per ceot and Gissa, the industrial concern which jumped 4.6 per cent. The IPC index was 5.99 higher at mid-session at 3,311.46.

SAO PAULO's Bovespa index dipped 149 to 63,445 as the bourse revised the portfolio of constituents.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	+0.16	+0.95	+0.40	+7.31	+3.23	+3.92
Belgium	-2.16	-0.45	+14.52	+6.13	+1.96	+2.65
Denmark	-0.12	+2.46	+13.95	+14.08	+9.94	+10.68
Finland	+1.21	+8.31	-14.08	+17.88	+13.79	+14.55
France	-1.87	-2.18	+5.75	+8.54	+4.29	+4.99
Germany	-0.57	+1.33	+12.17	+10.86	+6.77	+7.48
Ireland	+0.10	+1.47	+16.56	+11.45	+12.10	+12.86
Italy	-2.56	-3.73	-9.73	-2.45	+1.89	+2.58
Netherlands	-2.04	-0.02	+20.64	+12.62	+8.25	+8.98
Norway	-0.63	+0.37	+7.80	+9.42	+7.18	+7.91
Spain	-1.10	-2.21	+15.97	+10.47	+6.47	+7.18
Sweden	+0.77	+3.13	+16.00	+15.83	+15.27	+16.04
Switzerland	-1.97	+1.28	+24.06	+8.72	+4.72	+5.42
UK	-0.86	+2.77	+10.42	+5.64	+5.64	+6.35
EUROPE	-1.17	+1.02	+11.29	+8.18	+6.06	+6.78
Australia	-1.48	+2.20	+5.03	+1.32	+7.08	+7.76
Hong Kong	-2.24	+1.43	+18.57	+10.40	+9.65	+10.39
Japan	-3.99	-3.33	+8.23	-2.92	-8.41	-7.79
Malaysia	+0.23	+3.84	+8.05	+12.60	+13.88	+14.64
New Zealand	-0.11	+1.12	+2.37	+1.72	+6.66	+7.38
Singapore	-0.26	+2.24	+8.87	-1.82	-1.97	-1.32
Canada	-1.09	+2.12	+13.03	+10.01	+8.92	+8.65
USA	-2.11	-1.41	+16.12	+5.86	+5.16	+5.86
Mexico	-2.09	+3.59	+32.95	+18.02	+20.06	+20.87
South Africa	+2.81	+0.74	+19.55	+8.30	-12.61	-12.02
WORLD INDEX	-2.14	-0.90	+12.71	+4.65	+2.24	+2.93

† Based on August 30th 1996.

S Africa industrials ahead

Industrial shares put in a strong performance in Johannesburg, on futures-related activity and positive sentiment which stemmed from a strong rand. Golds were also firm, ignoring a static bullion price.

The overall index was 45.6 stronger at 6,735.0, industrials rose 78.2 to 7,911.8 and golds added 12.4 to 1,800.9.

Liberty Life gained 150 cents to R133.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	FRIDAY AUGUST 30 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (73)	204.82	-0.6	194.29	140.60	157.36	172.15	-0.5	4.40
Austria (24)	181.38	0.3	172.05	124.51	139.35	139.26	0.1	2.02
Belgium (27)	214.68	-0.6	203.64	147.37	164.94	161.10	-0.6	4.13
Brazil (23)	178.86	0.1	169.66	122.78	137.42	334.66	0.1	1.91
Canada (119)	162.77	-0.5	154.40	111.74	125.06	161.27	-0.4	2.22
Denmark (30)	319.62	0.2	303.18	219.41	245.56	248.30	0.0	1.85
Finland (23)	214.29	0.0	203.27	147.11	164.64	200.97	-0.2	2.49
France (93)	183.35	-0.0	178.67	129.30	144.71	149.39	-0.3	3.25
Germany (58)	175.93	-0.5	166.90	120.79	135.18	135.18	-0.7	1.81
Hong Kong (59)	427.98	-1.5	405.96	293.80	328.81	424.89	-1.5	5.46
Indonesia (27)	191.87	-0.1	182.00	131.71	147.41	275.67	-0.1	1.72
Ireland (16)	288.36	-0.4	273.52	197.95	221.54	250.33	-0.7	3.48
Italy (58)	75.60	-0.7	71.71	51.90	58.08	85.16	-1.0	2.53
Japan (481)	142.86	-1.2	135.51	98.07	109.76	98.07	-1.0	0.78
Malaysia (107)	556.17	0.8	527.56	381.79	427.30	534.17	0.8	1.70
Mexico (19)	1251.37	-2.3	1187.56	859.44	961.87	10385.37	-1.4	1.28
Netherland (19)	297.21	-1.1	281.92	204.03	228.34	224.72	-1.3	3.29
New Zealand (15)	85.54	-0.8	81.14	58.72	65.72	65.80	-0.5	4.18
Norway (35)	249.57	-0.4	236.73	171.32	191.74	217.02	-0.7	2.08
Philippines (22)	205.17	0.0	194.62	140.85	157.63	267.84	0.0	0.51
Singapore (44)	401.86	0.1	381.19	275.87	308.74	380.63	0.0	1.48
South Africa (44)	339.01	0.4	321.57	232.72	260.46	332.51	-0.1	2.26
Spain (37)	177.05	-0.3	167.95	121.54	136.03	167.72	-0.6	3.48
Sweden (48)	362.16	-0.3	343.53	248.61	278.24	354.67	-0.4	2.41
Switzerland (37)	248.79	-1.0	235.99	170.78	191.14	184.72	-0.6	1.60
Thailand (45)	145.70	-0.2	138.20	100.02	111.94	143.09	-0.2	2.39
United Kingdom (200)	245.18	0.0	232.57	168.31	188.37	232.57	-0.4	4.10
USA (625)	265.93	-0.8	252.30	182.59	204.35	265.98	-0.8	2.21
Americas (790)	243.54	-0.8	231.01	167.18	187.11	204.76	-0.8	2.20
Europe (705)	214.48	-0.3	203.45	147.24	164.78	183.81	-0.8	3.10
Nordic (136)	314.30	-0.2	298.13	215.76	241.47	268.64	-0.3	2.29
Pacific Basin (878)	157.12	-1.0	149.04	107.86	120.71	109.93	-0.9	1.27
Euro-Pacific (1583)	180.89	-0.7	171.58	124.17	138.97	137.78	-0.7	2.17
North America (743)	259.72	-0.8	246.36	178.29	199.54	259.08	-0.8	2.21
Europe Ex. UK (505)	193.13	-0.5	183.20	132.58	148.38	156.27	-0.7	2.54
Pacific Ex. Japan (397)	285.53	-0.6	270.85	196.01	219.37	246.19	-0.5	3.09
World Ex. US (1792)	182.38	-0.7	173.00	125.20	140.12	142.52	-0.7	2.17
World Ex. UK (2217)	204.73	-0.8	194.20	140.54	157.29	172.73	-0.8	1.98
World Ex. Japan (1936)	243.54	-0.6	231.01	167.18	187.11	229.03	-0.7	2.57
The World Index (2417)	208.21	-0.7	197.50	142.93	159.96	178.03	-0.7	2.19

NATIONAL AND REGIONAL MARKETS	THURSDAY AUGUST 29 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	205.99	196.09	141.16	158.52	173.09	212.16	178.77	186.57
Austria (24)	180.82	172.13	123.90	139.14	139.07	195.04	168.11	180.99
Belgium (27)	215.96	205.61	147.98	166.20	162.40	216.89	187.17	187.96
Brazil (23)	178.61	170.03	122.39	137.45	334.17	189.70	128.97	146.07
Canada (119)	163.56	155.70	112.07	125.86	161.85	165.12	134.14	147.36
Denmark (30)	319.07	303.74	218.63	245.53	248.33	321.04	275.89	279.85
Finland (23)	214.22	203.93	146.78	164.85	201.30	278.11	171.73	253.67
France (93)	188.37	179.32	129.07	144.95	149.84	196.39	167.70	177.56
Germany (58)	176.83	168.33	121.16	136.07	136.07	177.66	155.88	167.07
Hong Kong (59)	434.57	413.70	297.77	334.42	431.39	451.18	354.67	357.49
Indonesia (27)	192.10	182.87	131.63	147.83	276.06	-	-	-
Ireland (16)	289.59	275.68	198.43	222.85	252.01	290.82	238.42	240.88
Italy (58)	76.13	72.47	52.16	58.58	86.06	84.53	67.22	77.86
Japan (481)	144.54	137.60	99.04	111.23	99.04	184.68	137.75	145.00
Malaysia (107)	551.48	525.00	377.88	424.39	529.76	588.09	425.77	513.82
Mexico (19)	1281.74	1220.17	878.26	986.34	10536.31	1325.65	791.89	1130.48
Netherland (19)	300.62	286.18	205.99	231.34	227.67	304.24	248.70	248.70
New Zealand (15)	86.31	82.16	59.14	66.42	66.12	86.61	75.94	78.70
Norway (35)	250.65	238.65	171.70	192.83	215.50	256.94	222.24	230.05
Philippines (22)	205.19	195.34	140.60	157.90	267.57	-	-	-
Singapore (44)	401.84	382.34	275.20	309.07	380.51	485.21	380.49	384.43
South Africa (44)	337.70	321.48	231.40	259.87	332.71	437.76	314.20	347.77
Spain (37)	177.85	169.13	121.74	136.72	168.63	183.85	145.15	161.42
Sweden (48)	363.18	345.74	248.86	279.48	356.11	364.84	281.98	281.98
Switzerland (37)	251.24	239.17	172.16	193.34	186.44	254.34	198.12	198.12
Thailand (45)	146.02	139.00	100.05	112.37	143.39	193.95	138.75	167.55
United Kingdom (200)	245.26	233.47	168.05	188.73	233.47	247.51	218.58	219.34
USA (625)	268.11	255.23	183.71	206.32	268.11	276.47	229.06	229.06
Americas (790)	245.48	233.67	168.18	188.89	206.38	252.43	210.08	210.08
Europe (705)	215.24	204.90	147.48	165.63	184.89	216.96	169.82	190.03
Nordic (136)	314.87	299.75	215.75	242.31	268.86	315.35	261.13	271.32
Pacific Basin (878)	158.78	151.14	108.78	122.17	110.92	177.01	148.86	155.54
Euro-Pacific (1583)	182.18	173.41	124.82	140.18	138.92	190.57	166.51	169.91
North America (743)	261.75	249.18	179.36	201.43	261.08	269.52	224.00	224.00
Europe Ex. UK (505)	194.16	184.83	133.04	149.41	157.36	195.76	169.81	170.15
Pacific Ex. Japan (397)	287.15	273.35	196.78	220.97	247.54	298.88	243.58	255.74
World Ex. US (1792)	183.62	174.80	125.82	141.30	143.54	191.65	167.36	171.03
World Ex. UK (2217)	206.38	196.46	141.41	158.81	174.09	213.05	185.61	185.77
World Ex. Japan (1936)	245.03	233.26	167.89	188.56	230.66	247.55	213.36	213.36
The World Index (2417)	209.73	199.65	143.71	161.39	179.36	214.95	188.71	188.71

Latest prices were unavailable for this edition.

Germany, Italy and Spain urged to agree £40bn development programme

Britain gives Eurofighter the go-ahead

By Bernard Gray at Farnborough

Kevin Coombs

Cleared for take off: Michael Heseltine gives Eurofighter the thumbs-up at Farnborough

The UK is ready to proceed with the £40bn ($62bn) Eurofighter programme, Mr Michael Heseltine, the deputy prime minister and Mr Michael Portillo, the defence secretary, announced yesterday.

Mr Heseltine confirmed at the opening of the Farnborough Air Show that Britain was ready to proceed with buying the equipment needed to manufacture the aircraft as soon as the three other countries involved, Germany, Italy and Spain made similar decisions.

Mr Portillo said: "Today'e announcement is excellent newe for the Royal Air Force. It represents a crucial step towards providing them with a multi-role aircraft with the operational flexibility to respond to the uncertain challenges of the next century."

The Ministry of Defence said yesterday that production of the aircraft would secure 14,000 aerospace jobs in Britain.

Deliveries to the Royal Air Force are scheduled to begin at the end of 2001 and run until 2014 at an average of 20 aircraft per year.

The government's announcement at Farnborough – 75km south west of London – was interpreted by analysts at the air show as a vote of confidence by Britain in the Eurofighter, and as pressure on the other partner nations, particularly Germany, to press ahead.

Mr Heseltine said at the show that consolidation of the European aerospace industry was essential if Europe was to remain competitive with the US.

The Eurofighter made a display debut at Farnborough, where its test pilot described it as a delight to fly. "Our mouths are not big enough for the smiles on our faces as we get out of the cockpit," he said.

Mr John Weston, chairman of British Aerospace Defence and of the Eurofighter industrial team welcomed Mr Heseltine's announcement. "This is a great vote of confidence in the aircraft," he said. Mr Weston added that development problems with the Eurofighter's flight control computers and its radar had now been resolved, and the Eurofighter was performing extremely well in trials. He also said that provided the partner governments committed themselves to production by the turn of the year, first deliveries of the aircraft could be made in 2001.

The four countries involved are due to agree on the so-called production investment phase of Eurofighter by the end of the year. This investment in plant and tooling will cost £4bn – £1.5bn of which will be spent by the UK.

However, it must first be approved by powerful parliamentary committees in Germany which have opposed prodoction of the aircraft in the past. Production of 232 Eurofighters will cost the UK £11.4bn on top of the £4.1bn already committed to development.

Cable channels probed over 'bundling'

By Raymond Snoddy

The Independent Television Commission has launched a wide-ranging investigation into the "bundling" of cable television channels to see whether the practice is anti-competitive.

The ITC, which regulates commercial television, is responding to a complaint from the cable industry about the bundling of the Disney Channel with two movie channels supplied by British Sky Broadcasting, the satellite television venture.

The ITC has the power to order the unbundling of channels if it decides that such behaviour is anti-competitive. Bundling is an important marketing strategy, particularly for satellite television.

The cable industry cannot get the Disney Channel on its own to offer separately to viewers. The industry has complained that viewers are forced to pay for the more expensive bundled package.

The Walt Disney Company has chosen to position the channel as a bonus channel, which is available for no extra charge to those subscribers who take two premium film channels.

BSkyB pays 80p a month per subscriber for the Disney Channel and then uses it as a promotional tool to encourage subscribers to take its premium package of films.

The issue was looked at by the Office of Fair Trading earlier this year. The OFT, which sought undertakings from BSkyB on aspects such as revising its rate cards, decided to leave the issue of Disney to the ITC.

"The director-general is aware that the ITC intends to investigate a complaint concerning the terms of supply of the Disney Channel. The ITC investigation will go beyond the scope of the OFT review and the director-general therefore proposes to take no further action on this issue," the OFT said in July.

Although the immediate issue revolves around the terms of supply of the Disney Channel, the ITC can look at the whole bundling issue on both cable and satellite.

The ITC will soon be consulting the main parties and hopes to make a decision before the end of the year.

Disney was happy to have its channel marketed as a "bonus" channel as a way of introducing it to the UK market. When it has become well established Disney may decide to turn the channel into a premium channel in its own right.

The world of the television chef expanded yesterday with the launch of what is claimed to be Europe's first dedicated food channel, Raymond Snoddy writes.

The launch of the channel – the second cable channel to be launched by Carlton Communications – is a further sign that channels are being created that are the television equivalent of glossy magazines.

Carlton Food Network will broadcast daily on cable only from 12 noon to 5pm with demonstrations from top chefs on how to cook a delicious dinner in 30 minutes or a family meal for £10 ($15.60).

Next month Granada Media launches a raft of special interest channels devoted to such areas as motoring, heath and beauty and food and drink.

Scottish scientists urged to 'sell' ideas

By James Buxton in Edinburgh

Businesses and universities are being urged to rectify Scotland's poor record in commercialising its scientific discoveries.

An initiative called Technology Ventures has been launched to urge companies to make more use of scientific discoveries and to encourage the creation of companies to exploit discoveries. A further aim is to bridge the gap between the academic and industrial worlds.

Scotland is considered to have a particularly strong scientific base. It comes third, after Israel and Switzerland, and above the US and Germany, in the number of published academic papers per head of population produced by its 13 universities.

Mr George Kynoch, industry minister at the Scottish Office, said: "Scotland is recognised internationally for research excellence and academic expertise. But not enough of this research is exploited commercially in Scotland with the benefits it would bring."

Technology Ventures is the product of a long study by Scottish Enterprise, the development body, and the Royal Society of Edinburgh, Scotland's main learned society.

The study found that, although many Scottish companies had links with academics, relatively few involved research or product innovation. Many academics were reluctant to set up companies to exploit their discoveries, seeing commercialisation as being in conflict with their roles as teachers.

Mr Crawford Beveridge, chief executive of Scottish Enterprise, said Scotland had done very well in winning inward investment from overseas, but still needed to strengthen its indigenous economic base.

UK NEWS DIGEST

Privatisation plan cost £114m

Restructuring to make AEA Technology attractive to investors will have cost the government more than half the £200m ($312m) it hopes to raise from the flotation of the engineering and science group, e pathfinder prospectus published yesterday revealed.

The prospectus for the September 26 flotation put restructuring and reorganisation costs incurred since 1994 by the state-owned company at £113.9m. The placing, which will probably be the last on the government's privatisation menu, is expected to raise just under £200m.

Mr Peter Watsoo, AEA Technology's chief executive, said the bulk of the restructuring and reorganisation expenditure was tied to cutting the workforce by a quarter. It also included £3.1m spent on items pertaining to the flotation, such as fees to advisers.

The government is to retain a golden share for three years in the the company, which does half its work for the governmeot and public sector companies. The company expected to obtain more contracts in eastern Europe to improve safety or decommission nuclear reactors at plants sucb as Chernobyl in the Ukraine. *Leyla Boulton*

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■ SUMITOMO AFFAIR

Winchester closes metals business

Winchester Commodities, which is closing its brokerage – or metals – operations, is the first victim of the the Sumitomo scandal and the turbulence in the global copper market that followed it. Winchester was closely associated with Mr Yasuo Hamanaka, Sumitomo's former chief copper trader wbo the Japanese group claims lost $1.8bn in unauthorised trading.

Mr Stepben Heatb, who took over as Winchester's managing director when Mr Charlie Vincent and Mr Ashley Levett retired from day-to-dey operations and moved to Monaco, told staff that a downturn in business and adverse publicity was forcing the closure of the brokerage operations. Winchester's asset management operations would continue, be stressed, but inevitably there would be some redundancies. *Kenneth Gooding*

■ NORTHERN IRELAND

Call to bar extremists from talks

Mainstream pro-British "loyalist" politicians in Northern Ireland yesterday stepped up pressure on the UK government to bar extreme Protestant anti-nationalists from peace talks about the region's future. The talks are due to resume on Monday.

The controversy ceotres on death threats issued by the outlawed Ulster Volunteer Force to two prominent hardline loyalists. They were ordered to leave Northern Ireland by midnight last Saturday or suffer "summary justice," but neither has been attacked. However, the home of the parents of one of them, Mr Alex Kerr, was bombed on Sunday. The Ulster Volunteer Force is closely linked to the Popular Unionist party.

The larger Democratic Unionist Party demanded action by the British government against the PUP and the Ulster Democratic party, which has close links with he banned Ulster Defeoce Association. "Most people are alarmed the loyalist paramilitaries have scored an own goal and destroyed any short-term kudos the ceasefire gave them," said the DUP. *PA News*

Labour party 'protectionism' attacked

By David Wighton, Political Correspondent

The opposition Labour party is on a collision course with British business organisations over its call for the introduction of a "social clause" in all international trade agreements.

In its industry policy document, due to be published this month, the party will ignore the advice of the Confederation of British Industry – the UK's largest employers' lobby – which opposes the use of trade sanctions to enforce minimum social standards.

Linking trade and labour standards is opposed by most developing countries, which claim that it amounts to covert protectionism. But it has support among trade unions worldwide. The governing Conservative party rejects the idea of a social clause.

Labour's commitment, formulated by Mr Robin Cook, the party's foreign spokesman, appears in its forthcoming industry policy document. The paper argues that "there is a moral aspect to international trade" and backs the proposed social clause. "Labour in government will support this clause, while ensuring that it is not used to deny developing countries their comparative advantage, nor to introduce covert protectionism", says the party's paper.

It also fiercely attacks the British government's attitude. "Scandalously, weighed down with dogma, the Conservatives have steadfastly refused to join countries such as the United States and France in supporting such a clause."

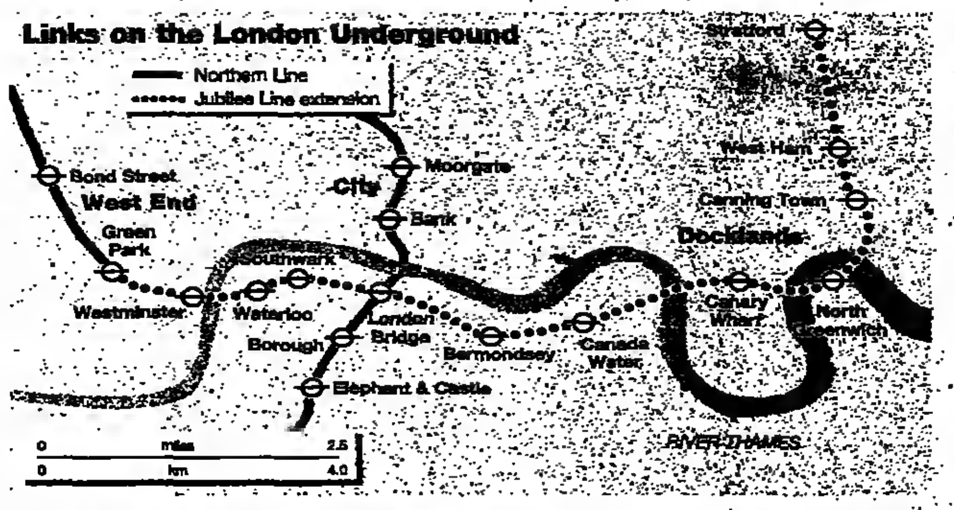
But Labour's proposal appears to go far beyond the US and France which have merely called for a discussion of the issue within the World Trade Organisation.

The UK government's opposition is strongly backed by the CBI which argues that the introduction of a social clause would damage the interests of developing countries. "The CBI is against the idea mainly because we do not believe that the threat of trade sanctions is the appropriate way to improve living conditions anywhere," said an official.

Labour said the clause would be designed to prevent the abuse of human rights, by outlawing prison and forced labour and child exploitation. But critics see it as an attempt by the west to impose its values on developing countries while denying them the access to world markets they need to raise living and working standards.

The issue is expected to prove divisive at December's World Trade Organisation conference.

City property revival shuns boom-bust view



By Simon London, Property Correspondent

Property developers are stirring back to life in the City of London, and activity is at a five-year high.

However, there is a fear that rising rents are encouraging a new wave of speculative building which will flood the market with unwanted offices and lead to another crash in rents and values. But most observers believe the conditions which sparked the last boom-to-bust City cycle have changed.

Mr Michael Freeman, joint managing director of Argent, the development company, said: "I would be very very surprised if there is over-building of City offices over the next two to three years."

The City was the epicentre of the 1980s property boom and subsequent crash. The 1986 deregulation of London's financial markets – Big Bang – sparked a period of expansion for many City companies. The Corporation of London, the City's local authority, encouraged developers to press ahead with large buildings by relaxing its planning regulations. By 1992 top rents had fallen back to their lowest level for a decade.

In this context the recent revival is modest. Property values have increased by between 15 per cent and 20 per cent over the past three years, supported by an influx of overseas investment led by German property funds.

Top rents are back up to about the same level as in 1985 in nominal terms – although most buildings command far less. The corporation estimates that about 315,000 sq m of offices are under construction.

Moreover, speculative development remains at a relatively low level. Many of the big new offices now under construction are being built by banks for their own occupation. Deutsche Morgan Grenfell and ABN Amro are building investment banking headquarters in the City.

This relative scarcity of speculative development is mainly due to financiers' caution. Equity investors are backing only a few speculative schemes in central locations.

Mr Chris Strickland, development director of Greycoat, the UK property company, said: "Today banks will not advance more than 50 per cent of the finished value of a speculative development. In the 1980s loan-to-value ratios were as high as 80 per cent."

Large property companies have access to sufficient finance to press ahead with developments in spite of the cautious attitude of banks. But many smaller developers will be unable to start work on speculative developments unless the banks adopt more relaxed lending policies.

Mr David Hunter, head of property investment at Scottish Amicable Investment Managers, which is financing one of the City's largest speculative schemes, said: "The attitude of banks is the key to this development cycle. At the moment they are taking a cautious view, which means that there is no more than a healthy level of development in the City."

There are two main reasons for the cautious approach being adopted by lenders.

First, banks lost hundreds of millions of pounds in the early 1990s when property values crashed.

The second reason for caution is that demand for office space is more difficult to predict than in the aftermath of Big Bang. A handful of financial services organisations – including Merrill Lynch, the US investment bank, and Liffe, the financial futures and options exchange – is looking for large London headquarters. But there is no guarantee that these organisations will opt for the City.

Citibank recently decided to build its headquarters at Canary Wharf in Docklands and Banque Paribas is building its headquarters in Marylebone, in the West End.

Docklands development stages a comeback

By Simon London

Canary Wharf, the big development in London's Docklands district which went into administration in 1992, is staging a recovery.

Citibank of the US last week selected the Canary Wharf site for its new UK headquarters. The 45,000 sq m block will be the first new building erected since Canary Wharf collapsed financially four years ago. The existing 405,000 sq m of offices at Canary Wharf is 80 per cent let, with only one whole building and the upper floors of the main tower still available. When BZW, the investment banking arm of Barclays Bank, moves in next year 18,000 people will work there.

The belated success of Canary Wharf as a business location is partly due to improvements in transport infrastructure.

"It used to feel like working on a desert island. Now you can whip through the tunnel in a cab and be in the City within 15 minutes," said one tenant. An extension to the London Underground's railway is scheduled to open in March 1998.

But transport is not the whole story behind the revival of Canary Wharf. The strong appetite of investment banks for big modern buildings has also played its part.

Canary Wharf was the brainchild of Mr Archibald Cox, then chairman of Morgan Stanley International, and Mr Michael Von Clemm, chairman of Credit Suisse First Boston. In 1984 they realised that Docklands could provide big trading floors more cheaply than the City. More than a decade later this basic intuition holds true.

Canary Wharf boasts buildings with floors of more than 5,000 sq m. This capacity was a vital factor in attracting tenants such as Citibank and BZW.

"Even in an electronic age traders want to see each other and be able to yell at one another," said Mr Robert Metzler, head of equities at Morgan Stanley, one of Canary Wharf's first tenants.

UK ECONOMICS DIGEST

Factory output figures jump

The gloom surrounding UK industry lifted further yesterday after manufacturers reported the biggest rise in factory output and orders since March last year. The latest monthly survey by the Chartered Institute of Purchasing and Supply provided a boost for the Conservative government's hope of fighting the election next year against a backdrop of widespread economic growth. It showed that consumer demand was now driving a steady recovery in manufacturing after weak orders and a build-up of stocks pushed industry into recession late last year.

The institute said its purchasing managers' index was s seasonally adjusted 51.8 last month. A reading above 50 denotes an increase in activity. This was the third successive monthly increase.

The picture of buoyant consumer-led growth was reinforced by separate figures yesterday which showed that the amount of notes and coins circulating in the economy grew last month at the fastest rate since December 1988. This suggests that the pick-up in retail sales continues to gather momentum. *Graham Bowley*

■ SOCCER

Euro 96 gives economy a kick

Increased retail sales and tourism income during Euro 96, the European soccer championships hosted by England in June, gave an extra boost to Britain's economy, research released yesterday shows.

A report by *HSBC Markets* in London estimates that Britain's annual gross domestic product grew by an additional 0.1 per cent during the competition, thanks to increased spending and activity. "This might not sound like much, but it would mean that Euro 96 was responsible for a quarter of the total 0.4 per cent expansion of GDP between the first quarter and second quarter [of this year]," said Mr Jonathan Loynes of HSBC.

Mr Loynes found that supermarket sales of lager rose by 55 *per cent in the week before June* 15, when England was knocked out of the tournament by Germany. Figures from Domino Pizzas' 101 home delivery outlets showed their sales jumped by 88 per cent on the day of the England-Germany semi-final match. *Richard Adams*

■ OIL INDUSTRY

Output expectations lowered

Oil output this year from the UK sector of the North Sea will be lower than expected, according to industry consultants Wood Mackenzie. Delays in the start-up of four new fields and prolonged maintenance at several others resulted in average first half production of 2.53m barrels a day, down 2 per cent on the 1995 average, but 1 per cent higher than for the first half of last year. Wood Mackenzie has revised downward its estimate for average production this year by 110,000 b/d to 2.6m b/d. *Robert Corzine*

■ RESEARCH AND DEVELOPMENT

Spending increases by 3.7%

Government, private companies and universities spent £14.6bn ($22.77bn) in cash terms on research and development in 1994, up from £13.8bn in 1993. The Office for National Statistics said this represented an increase of 3.7 per cent in real terms. *Graham Bowley*

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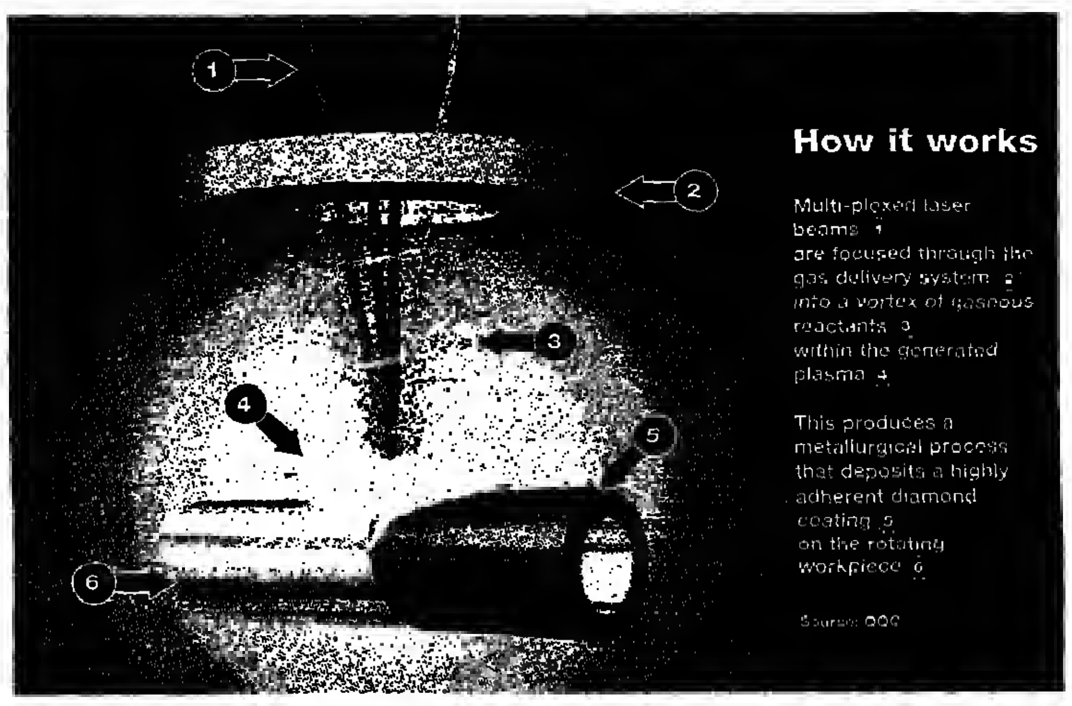
TECHNOLOGY



Cutting edge

A cheaper and more flexible process is set to boost demand for synthetic diamond, says **Deborah Shapley**

A process thet creates pure diamond and bonds it to a surface with the ease of paint on a brush looks set to change the manufacture of objects from engines and transmissions parts to dies, sporting goods and cutting tools.

Most people think of diamonds as naturally-occurring stones that must be mined but the man-made diamond has been used in manufacturing – mainly as inserts on metal-cutting tools – since it was invented in the 1950s. Annual world sales of synthetic diamond are $900m (£580m), although the value of the cutting tools and grinders which use it is $3.1bn, says tha Industrial Diamond Association of America.

Fred Gray, the association's president, says the new rapid-coating technology, which makes its use in manufacturing cheaper and more flexible, could expand the market for synthetic diamond significantly.

The new process is called QQC after the company of the same name in Dearborn, Michigan, which expects to be awarded the main patent next week. Samples are being tested by Ford, General Motors, Chrysler, the US army and navy and other potential users.

The QQC approach creates diamond in an ordinary atmosphere, not the high-temperature vacuum used in standard diamond manufacture. Four laser beams are directed through e cloud of carbon dioxide et e tungsten carbide surface. The lasers break the carbon dioxide into oxygen and carbon. Diamond is formed from the bonding of this carbon with carbon atoms wbicb the laser energy has mobilised from the rotating surface of the object.

The object to be coated can be moved around by e robotic arm under the laser, precisely controlling deposition of the diamond. Adjustment of the lasers can control crystal size and structure, says Manuel Turchan, chief of Turcban Technologies Group, QQC's parent company.

Most synthetic diamond is made by CVD, or chemical vapor deposition. But, in spite of years of effort, the CVD process can still coat only a few, coin-sized shapes. It requires e vacuum chamber which must be heated to 800°C. And, when they are being used, CVD-tipped tools require liquids to carry away heat and chips of the metal being cut. Coolants are one-quarter the cost of all machining: and manufacturers have found disposing of them a costly headache.

The thickest layer of diamond made so far by the QQC process has been 1,000 microns, compared with the 7-25 micron layers usually created by CVD. After the lasers painted one object in new, pure diamond, Rustum Roy of Pennsylvania State University, an euthority on diamonds, says: "I picked it up and took it off the machine. It was the warmth of hot toast."

Most striking is how fast the diamond forms, et e rate of about one micron per second, while it bonds metallurgically to the surface below. This compares to e few microns per hour for CVD.

News of the QQC process has spread since its inventor, Pravin Mistry, and Turchan made oral presentations last year. The interest is due to the implications of making the bardest known material quickly and in almost any shape. And the coating's metallurgical bonding to the substrate means tools made with it can cut through metal dry, without coolants.

The electronics industry has had its eye on synthetic diamond as a possible substitute for silicon; this drove years of US government and industry research on CVD and in the former Soviet Union and Japan.

The group's first scientific paper* on the process, claims that tools coated both in diamond and TNC (tetrahedrally bonded, non-crystalline carbon) are being used in "production eutomotive power train and chassis components, such as gears, shock-rods and struts and brake rotors to provide corrosion-proof properties, improved wear and tear, and in some cases supplanting chromium and cadmium plating".

A trade publication bas reported that e Canadian automotive plant was using QQC-tipped tools to mechine aluminium transmission cases et a rate of 270 per hour.

Valenite, Cincinnati Milacron's cutting tool business, has tested QQC-coated samples against others. "We found them to be the best in terms of performance, wear and adherence," says product manager Karl Katbi.

Golf Star, the California-based sports equipment company, plans to usa it for golf club heads. Astro-Sweep of Woodbridge, New Jersey, a supplier of street-cleaning brooms to municipalities, has had QQC tip its steel brushes in diamond. Raymond Saluccio, president, says that so far these brushes show no wear.

The navy sees applications in "hard-coated and corrosion-resistant pumps, machine components, bearings and gears," says Robert C. Pohanka of the Office of Naval Research.

Mistry, the inventor, sees uses in punching out aluminium beverage cans. Diamond coating on the punch's bottom and sides could allow elimination of coolants. The same punch might last for days instead of hours.

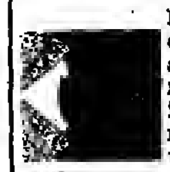
The Materials Research Laboratory at Penn State University is investigating why the bonding takes place, for the process is not clearly understood – it was discovered by accident when carbon dioxide was substituted in error for nitrogen while the laser technique was being used to apply a different coating.

Turchan claims the laser process has created pure diamond on aluminium, plastic, ceramics and high-speed steel used in the home-tool industry. "We envision coating virtually any substrate, taking an order off the fax machine, and sending the parts out the same dey, just in time ... We can analyse the results in a matter of minutes, and move closer to optimisation with each iteration," he says.

* P. Mistry et al. Innovations in Materials Research, Vol 1 No 2 (1996) 193-207

Viewpoint · Robert Marx

Licence to make money abroad



In most European countries there are small- and medium-sized industrial companies which can thank their innovative owners and technical directors for their sometimes spectacular successes.

Technology and product development are very important, but in many cases the sales and marketing efforts – not to mention export strategies – for smaller companies' products do not match them.

Many smaller and medium-sized companies do not take advantage of the income possibilities inherent in licensing out technology which they have developed. They are sitting on a gold mine while their new prodncts or processes are neglected.

Here is one recent example from Germany, where a company had developed a special extrusion process for making plastic mouldings used in windows. The company made these mouldings for only a short time before the customer for whom they were developed stopped production.

Althougb the development had cost a considerable sum of money, no further use was made of the development and it risked becoming a typical "forgotten asset".

However, the company decided to revive it: publicity material was prepared, describing and illustrating the process, and distributed to editors all over the world.

As a result, a manufacturer of refrigerators in another country decided to use the process to produce a new line of modular cabinets. A licensing agreement was signed and the new refrigerator became a big success. So, in the end a good income was received from the licensee and a dormant asset started to make money.

Licensing deals like this are the most practical solution for many smaller and medium-sized businesses. Setting up a factory overseas can be difficult or impossible because of a shortage of qualified technical managers, capital and the experience of running a foreign business.

Exporting is also frequently impracticable because of a lack of personnel, the absence of sales organisations and the impossibility of modifying products for the specific demands of overseas markets. The licensee, on the other hand, is established in a foreign country, knows the market, language, and culture and will have an established sales organisation.

But some small companies still have worries – which I believe are groundless – about licensing their products or processes. Many businesses ask themselves whether granting a licence risks creating new competitors in their own country. This applies mainly to licensees in low-wage areas.

Many companies do not take advantage of the income possibilities. They are sitting on a gold mine while their products are neglected

However, with a proper agreement – drawn up by an experienced lawyer – one can practically eliminate the possibility of the licensed product being exported back to the licenser's country.

One of the substantial obstacles to licensing is the tendency within companies to be secretive about products or process developments. This is almost always based on an overestimation of the uniqueness of the company's developments. Most developments are neither as unique nor of such earth-shaking importance as is believed by company insiders.

Some companies have a tendency to "sit" on developments without ever fully exploiting them. But in time most products are superseded and unique manufacturing processes turn into "state of the art" knowledge available to all. Then licensing is no longer possible. As soon as an innovative business has developed something new and is successfully marketing it in its own country, licensing should be considered.

The first step is the exact definition of the prodnct or the manufacturing process. Many processes or products are not adequately docnmented and described within an organisation. Maybe the development was made as a component of something bigger or constituted one step in the manufacture of a specific new product.

How do you find a licensee? I have found that simply trying to contact companies which the licenser thinks may be interested tends to bring few if any results. There are many reasons for failure: either the letter never reaches the proper partner or the NIH (not invented here) factor creates opposition to ideas coming from outside.

My experience over 25 years has shown that the most successful way to find licensing partners abroad is to kindle the interest of a member of management or of the technical department of prospective partners so that they will request additional information about the innovation. To accomplish this, the best medinm – as the example of the German extrusion process shows – is the technical and industrial press: publishers of trade magazines and business and technical newspapers.

This method brings rapid results. Most serious inquiries and about 80 per cent of the licence contracts resulted from editorial publication in trade magazines. The licensees were very often companies or industries which the licenser could never have found either personally or through agents. So there is a way to exploit those under-used assets.

Robert Marx is a German-based marketing and licensing consultant.

BUSINESS AND THE LAW

A network of expertise

Diana Bentley on a group for in-house counsel in Europe

For Mr Michel Cloes, an appointment as European counsel for the Gates Corporation, the US automotive parts manufacturer, proved the catalyst for founding the European Chapter of the American Corporate Counsel Association.

Having studied and worked in the US after graduating in his native Belgium, Mr Cloes found the move back to Brussels something of a culture shock. "I went into a small law department, was in Europe again, where I hadn't worked for years and really lacked a network of colleagues' reports," he says.

In the US he had joined the American Corporate Counsel Association. Based in Washington DC, the 10,500-member body representing lawyers working in-house for companies, lobbies on behalf of members on matters affecting their rights to practise and provides educational and networking services.

Approaching the association with the idea of establishing a European branch, Mr Cloes received an enthusiastic response. "We were pleased but not surprised," says Mr Fred Krebs, association president. "An increasing number of attorneys [in the US] are being transferred overseas and with the globalisation of trade and economies, we're seeing that a lot of issues are of common concern to in-house counsel everywhere."

Starting in 1994 with five members working in Europe, Mr Cloes began organising meetings. Open to in-house counsel who are American, have a US law qualification, or work in a US company or affiliate, membership has grown to more than 100. Groups have also been established in London, Paris, Brussels, Amsterdam and Geneva.

The European Chapter is concerned with several issues. "Re-engineering and restructuring involves looking at how developments like downsizing and mergers affect companies and especially the in-house legal team, its organisation and relationship with outside law firms," says Mr Cloes.

According to Ms Susie Flook, the UK representative and a founding board member: "Many [company] law departments are restructuring. The lean and mean philosophy of management is still there, and continually in-house counsel have to extend their workload without increasing numbers."

The association recommends that members make more use of trained legal clerks and then reassess whether they need another lawyer. Secondments from law firms are also being encouraged.

"You can often negotiate a sensible monthly fee with the law firm and it is a good, cost-effective way of gaining support and building your relationship with the law firm," she says.

Working closely with other professional organisations in Europe, the group is also working on the issue of client/lawyer privilege, a problem area in European law, particularly since the 1982 AM & S case when the European Court of Justice ruled that in-house lawyers' advice is not privileged.

"We want to reverse the AM & S case which restricts the granting of privilege to in-house counsel under EU law. We believe the case is outdated and bad policy and it's time for a change."

The need for in-house lawyers to use external counsel to secure privilege for advice is time-consuming, expensive and discriminatory, members say. With other organisations, such ss the American Chamber of Commerce, a chapter committee led by board member Mr Carl Bedding, IBM's senior European counsel, is pushing for a new EU directive.

Already the group has proved a boon to members and especially those in small law departments. "It's uniquely useful to get together with other in-house counsel here as even if you are in different industries yon are facing many of the same issnes daily – European works councils, anti-trust matters and so on," says Ms Flook.

The association can provide access to precedent banka and there are experts in the group whose experience members can draw on. Networks also extend to law enforcement officials and the group maintains good relations with the European Commission's competition directorate.

In the US, the growth of the European chapter is viewed with enthusiasm by the head office. But since many of the organisation's activities are devoted to educational services, Mr Krebs believes servicing the European chapter will present special challenges.

He notes that there is already good interchange between the European chapter and the US organisation with US-based attorneys attending the European conferences and increasing involvement by European members in US activities.

And he foresees continued growth for the European chapter. Enquiries to date have led European board members to consider extending membership to include those working in companies with strong US trading ties.

According to Mr Krebs, the US is further developed in the use of in-house counsel than anywhere else, but more companies, particularly in Europe, are beginning to see the value of having in-house counsel. The association get requests for material on the advantages of in-house counsel and how they can best be used from all over the world and it may send out material on anything from models for the organisation of in-house legal departments to guidance on outside lawyers' fees.

He sees law firm fees as one of the areas where the association has made its greatest contribution since its inception in 1982. "ACCA members have been at the forefront of determining new billing methods and changing how legal services are delivered in ways to benefit clients. I think we've helped reduce costa significantly. The whole trend here is to move away from using hourly [charging] rates so that instead of all the risk being borne by the client, there is more emphasis on law firms delivering services more efficiently."

Similar concerns occupy the European chapter. While they are not eligible for membership, private practitioners are important contributors to its work.

"From the start we've involved law firms in the organisation," says Mr Cloes. "Private practitioners with expertise on certain subjects give presentations at our meetings and conferences. We want to find out how we can best develop our relationships with firms so they can better serve our client organisations; And they in turn want marketing solutions to attracts us as clients."

هكذا من الأصل

Wonky huts and a few holes

William Packer finds 'tame' installations at London galleries

The Serpentine Gallery is to close soon for substantial internal remodelling and extension, though a programme of sculpture will continue on the lawns outside.

To mark this climacteric, Richard Wilson, an installation sculptor, was given *carte blanche* to do what he would with the gallery, unconstrained by considerations of repair and reinstatement for any show to follow. What thrilling mayhem there was in prospect.

And how tame it is in the event. How careful his interventions are, how well-manicured his cuts and slices, how fashionably correct his avant-garde *mise-en-scène*. There is nothing here, not even a whiff, of his roomful of sump oil, with its sunken ramp, disorienting reflections and real sense of danger, that still excites us at the Saatchi Gallery. There is not even a pile of dust. Here is simply another Serpentine show of art at the "cutting edge" of modern practice.

What we have are three freshly-painted work-site cabins, a number of carefully-cut holes and the plugs of material that once filled them, and a fork-lift truck. In one gallery, a hut, perched on its extendable legs, is tilted up towards the ceiling. In another, the hut is so placed that it penetrates the french windows to offer a coy corner to the world outside. In a third, the hut is suspended upside-down in a pit cut through to tha foundations, which is where the fork-lift truck is so useful. And there are the holes, some 2ft in diameter at a guess, high up in the corner of a room, down through the floor, through the bookshop wall (books and all), cut at an angle between wall and floor. And the plugs from them, *mirabile dictu*, so carefully preserved, now fill matching holes in the sides of the huts.

Where does this leave us, other than with some wonky huts and a few holes? A good question. There is no doubting Wilson's seriousness, which is rammed home by the even more ponderous supporting texts. But the flight of fancy, ambiguity and bizarre nature that characterised and carried off the room of oil so splendidly seem to have deserted him. For the surreal to work it must be surreal, which means it must always do more than it knows or intends. But Wilson, it would seem, missing the essential Duchampian irony, now subscribes to the post-Duchampian heresy that the idea, the programme, justifies all.

In *Jamming Gears*, writes Andrew Wilson in the catalogue, "not satisfied with just revealing that there are physical spaces that are hidden ... Wilson attempts to provide the space for a perceptual experience that might itself be put out of reach. The object might exist, believable, immediate and tangible but, as soon as that is grasped, the image leads the beholder elsewhere ... Wa see a space that has had its boundaries physically transgressed and yet the image our senses hold on to is one framed by a belief in material truth." So now you know.

But such mere and obscure assertion is never enough. What you actually get here is what you see, a green workman's hut swung into e hole from a fork-lift truck. Wilson's working drawings for this and other recent projects are concurrently on show at Gimpel Fils, on e wooden wall that cuts arbitrarily through the entire gallery.

★

Tacita Dean is another who clearly believes that to assert is to achieve, and that she has only to engage with a subject or an idea to invest her response with cosmic significance. Her installation at the Tate's *Art Now* workshop space consists of a video and soundtrack, a dubbing chart on the wall, and a tape machine that, like Ol' Man River, just keeps rolling along.

The *Foley Artists* of her title are those unsung heroes of stage, screen and radio who supply the deficiencies of nature and digital technology alike, when it comes to sound effects – the clip-clop of coconut shells, the thunder of corrugated iron, that sort of thing. Their ingenuity is famous, and Miss Dean's documentary tribute to them harmless enough were it to end at that.

But this is the Tate, and this no tribute at all but a patronising appropriation in the name of art. For Miss Dean is an artist and this, in the jargon of current art-speak, her latest art-work. And so she shows her Foley mechanicals setting about the mysteries of their craft in their formidably cluttered studio. The tape they serve has several tracks, cross-cut and overlaid, upon which fragmentary *narratives* may be traced. The chart on the wall spells out what is going on.

As demonstration it is engaging enough, if only for a moment, for any arbitrary passage soon makes the point. Only when it asks to be taken seriously as art does it become tedious and pretentious.

Richard Wilson *Jamming Gears*: Serpentine Gallery, Kensington Gardens W2, until September 15, sponsored by Selfridges and The Guardian. Richard Wilson *Formative Processes*: Gimpel Fils, 30 Davies Street W1, until September 14, with assistance from Matt's Gallery. Tacita Dean *Foley Artist*: Tate Gallery, Millbank SW1, until November 10.

What you get is what you see – one of Richard Wilson's work-site cabins at the Serpentine Hugo Glendinning

Theatre

Beatrix Potter revealed

Beatrix Potter wrote two stories, 18 tales, one called *Tailor of Gloucester* and two collections of nursery rhymes: *Appley Dapply's* and *Cecily Parsley's*. Jemima Puddleduck and the cryptically-named Pigling Bland, all dressed up in quaint Edwardian clothing, are just two of the characters that have costly introduced many children this century to a world of fanciful reality.

Patrick Garland and Judy Taylor's *Beatrix*, a solo vehicle for Patricia Routledge at Chichester's Minerva Studio, shows Potter in her farmhouse in the Lake District, mixing her life story with selections from her writings. In the first half, she is a no-nonsense 60-year-old, in the second, she is in her last years in her 70s, mob-capped and aproned – like Mrs Tigglewinkle.

We know she was an illustrator as well as story-teller, and it is no surprise that her first commissions were for greetings cards, appealing to the tastes of twee Victorians. Her tales, on the other hand, portray a streak of nasty, moral despotism; mischief-makers who challenge authority receive a violent come-uppance, like Squirrel Nutkin and Peter Rabbit; rats salivate over "kitten-dumpling, roly-poly pudding"; a frog munches "a butterfly sandwich" – is this the stench of a fevered, late Victorian imagination? Potter herself asks darkly: "I wonder what made me spin such spiders' webs?"

Garland and Taylor sycophantically squash such psycho analysis while making indulgent passing reference to Potter's "sorrows of yesterday": her forlorn loss of the man she loved, her subsequent "satisfactory" marriage at 47 to counter "the miserable feeling of loneliness", her domineering parents. So, without meaning to, Taylor and Garland (who also directs) reveal a blighted depth to this stubborn writer.

Moreover, the pretext for the extended monologue is psychological rather than theatrical. "I talk to myself," admits a self-conscious, self-effacing Potter. Routledge rarely looks us in the eye, preferring to gaze up to the rafters, or dart glances across the floor. It is misjudged – both unengaging, and at odds with Routledge's performing confidence.

Potter retreated to write in the Lake District in 1905 and ploughed her fortune into a flock of herdwick sheep. When she died in 1943 she had 4,000 acres and 15 farms. We are told she wrote in code as a child: we see her decipher her teenage journals. When she shows us a picture of a pig-couple looking at a vista of her own farm, she denies it is a portrait of her and her (satisfactory) husband.

Simon Reade

Chichester's Minerva Studio Theatre until September 14.

Concert / Antony Thorncroft

Faithfull mesmerises all

The transformation is complete: Marianne Faithfull has totally vanquished the image of the popette and assumed the new persona of chanteuse. When she smiles the years still make way for the fragile flower child, but in the main her performance is that of a dominating proper madame. Still very blonde at 49, provocatively buxom in cut-away black, she prowls the stage, taming a mesmerised audience with a look.

She has found her level, wrapping her new tour, which started at the Almeida on Thursday, as "An evening in the Weimar Republic", or rather the songs of Brecht and Weill. There are obvious links between Faithfull's scarred life as a heavy drug user and drinker, and the decadent night world of Berlin bars of the 1920s. Faithfull's voice, too, an impressive witness to all the vices, gives just the right weary melancholy to songs of disillusioned tarts and drifters.

The problem is that it is all one paced: one "Surabaya Johny" is like another "Pirate Jenny". When she puts them into context, describing how Brecht and Weill composed the haunting "Ballad of the soldier's wife" while walking the beach at Santa Monica and brooding on the Battle of Stalingrad, they have relevance; hut too many immersions into Teutonic angst assume the mantel of a dirge.

It hardly matters. This is as much a happening as a concert. We have come to observe Ms Faithfull, to hear her anecdotes of Harry Nilsen's funeral, to thrill as she lights up on stage and consumes a colourless liquid which looks like water.

When she lightens up on the continental political expressionism, as in her encore the lilting "She moves through the fair", the mood is more celebratory. Ms Faithfull has a remarkable voice, attractively vulnerable at times hut seething with experience. It seems happier on tha mordant songs, like Coward's early 1920s dismissal of the modern age,"Twentieth Century Blues", but she has an inner calm and power that could give a twist to all the standards.

But for all its potential power her music remains secondary. The evening is dominated by Ms Faithfull's aloof personality; you feel that you are house guests who have not quite come up to expectation. It is a strange chemistry between artist and fans, perhaps one not unknown to her celebrated ancestor Baron von Sacher-Masoch, pioneer of sado masochism, strange, hut not unpleasant.

Marianne Faithfull: a dominating act Alastair Muir

Contrasting styles of three gurus fascinate

Andrew Clark on the glorious Proms

Three authentic gurus took to the podium of the Royal Albert Hall at the weekend, underlining the huge diversity of style and interpretative approach in the field of historically-aware performance.

On Friday Roger Norrington conducted the London Philharmonic in a programme of 20th century English music, but with an historically-aware platform arrangement – cellos in the body of the orchestra, double-basses elevated at the back.

Sunday afternoon brought Frans Brüggen and his period-instrument Orchestra of the Eighteenth Century; in tha evening the Chamber Orchestra of Europe under Nikolaus Harnoncourt combined modern strings, rationed vibrato and valveless trumpets.

The results were altogether fascinating.

Brüggen and Harnoncourt provided the starkest comparison. Both focused on Viennese classics, hut Brüggen added a suite by Rameau, a composer for whom Harnoncourt seems to have a blind spot. Brüggen, severe and undemonstrative, presents the music with a minimum of interference, developing smooth lines and textures, and generally acting as a catalyst for corporate musicianship.

In Harnoncourt's performances, the conductor is the dominating intelligence. The sound is fierce and bright, contrapuntal voices take precedence over melodic lines, and the music emerges in sudden, emphatic gestures.

One of Rameau's least-known opera-ballets, *Les Fetes d'Hébé*, occupied the first half of Brüggen's concert. It proved a real discovery – in its choreographic suggestiveness and exotic colouring of flute, tambourine and *musette* (a type of windbag).

Brüggen's linear, lyrical approach carried through to Haydn's "Drumroll" Symphony and Beethoven's Violin Concerto. The performances may not have crackled, but they had great integrity – particularly the concerto, in which Brüggen and Thomas Zehetmair found a true partnership of mind and style. Zehetmair wore his musicianship lightly, refusing to inflate the solo line and lending even the faster passage-work a gossamer edge.

Harnoncourt's performances of Mozart's "Prague" Symphony and Schubert's Ninth were typically perverse, all the more so for being despatched with such virtuosity by the COE. The Mozart sounded jagged and disturbing, the brass chords of the finala repeatedly crashing through the symphonic argument in a fruitless search for Beethovenian drama. The singing lines of the Great C Major were subjected to the same sculpted treatment: nothing escaped Harnoncourt's telescopic gaze – not even the opening horn call, which emerged as a succession of disjointed statements.

Norrington's wide-ranging sympathies were heard in Elgar's Cockaigne

Except for an oasis of peace in the *Ländler* rhythm of the third movement, the music was presented as a series of angry punctuation marks – a high price to pay for Harnoncourt's dynamism.

Norrington's wide-ranging sympathies were heard in Elgar's *Cockaigne*, Vaughan Williams's Fifth Symphony and Nicholas Maw's Violin Concerto. The Vaughan Williams was unexpectedly successful: it is not a great symphony, but Norrington made it sound coherent and profound, managing the first movement's key transitions with masterly sleight-of-hand, and refusing to tarry in the *Romanza*. By contrast, *Cockaigne* was overly bombastic.

In between came the Proms debut of Maw's three-year-old concerto. Its songfulness and consummate craftsmanship have already been well noted. What emerged in this performance was its sheer profusion of ideas, its unerring sense of instrumental balance, and the continuous thread sustaining the listener's interest over a 40-minute span. It is still a little too long – the last two movements could do with further pruning – hut it remains a glorious affirmation of how to pursue Romantic tradition in contemporary form.

As at the premiere, Joshua Bell proved a mesmerising advocate. The scope for interpretation is wide, and it is tima others took up the cause.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● De Pictura: Emil Schumacher - Kurt Schwitters – Ricardas Valtekunas: exhibition combining landscape paintings by the German artist Kurt Schwitters (1887-1948), most of which have never been exhibited before, with paintings by the German artist Emil Schumacher (b. 1912) and the Lituanian painter Ricardas Valtekunas (b. 1940); to Oct 27

POP-MUSIC
Amsterdam Arena Tel: 31-20-3111333
● *Tina Turner: performance by the American singer, as part of the Wildest Dreams Tour*; 8pm; Sep 6, 7, 8

■ BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● *Aquarelle.* Werke 15. bis 20. Jahrhundert aus dem Kupferstichkabinett Basel und einige Leihgaben: exhibition *featuring 15th- to 20th century* watercolours. Most of the works on display come from the collection of the Kunstmuseum Basel. Artists represented include Cézanne, Turner, Holbein and others; from Sep 7 to Nov 10

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Sabine Meyer, Heinrich Schiff and Oleg Maisenberg: the *clarinettist*, cellist and pianist perform Brahms' Sonata for Clarinet in E major and Sonata for Cello in F major. Part of the Berliner Festwochen; 8.30pm; Sep 5

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● *Faust (Margarethe)*: by Gounod. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Adina Nitescu and Ulrike Helzel; 7pm; Sep 4, 7

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Miguel Gomez Martinez, soloist Agustin León Ara and Los Romeros perform works by Turina, Rodrigo and De Falla; 7.30pm; Sep 4

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Simon Webb and Dearbhla Collins: the cellist and pianist perform works by Martinu, Prokofiev and Shostakovich; 8pm; Sep 4

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● *IMMA Collection: Figuration*: this exhibition of painting, aculpture and mixed media looks at a variety of themes – from the body in action to gender issues. It includes works by Picasso, Antony Gormley and Janet Mullarney; to Jan 1997

■ EISENSTADT

FESTIVAL
Schloss Esterhazy – Festspiele Eisenstadt Tel: 43-2682-61866
● Mara Zampieri: accompanied by pianist Eduardo Lanza and cellist Luigi Puxeddu. The soprano performs Haydn's Arianna a Naxos, and songs by Piccini, Donizetti and others. Part of the Haydntage; 7.30pm; from Sep 5 to Sep 15

■ FRANKFURT

EXHIBITION
Deutsches Architekturmuseum Tel: 49-69-2128471
● Erich Buchholz (1891-1972). Architekturentwürfe, Innenraumgestaltung und Typographie eines Universalkünstlers der frühen zwanziger Jahre: exhibition of a collection of 70 drawings, created between 1922 and 1928 by the German artist and architect Erich Buchholz; to Sep 8

■ LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● Rotterdam Philharmonic Orchestra: with conductor Valery Gergiev and soprano Anna Netrebko perform works by Prokofiev, Debussy and Mussorgsky. Part of the BBC Henry Wood Promenade Concerts (Proms); 8pm; Sep 7

EXHIBITION
Royal Academy of Arts Tel: 44-171-4397438
● Roger de Grey – Painter: an exhibition of the work of Sir Roger de Grey, president of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; to Sep 22
Tate Gallery Tel: 44-171-8878000
● *Mountain Gloom, Mountain Glory*: this exhibition celebrates the enduring enthusiasm for *mountain scenery felt* by JMW Turner and other British artists. Selected from the Turner Bequest and elsewhere in the Tate collection, this display of watercolours shows the changing role played by mountain *landscape* in the art of the mid-18th to late 19th centuries; to Oct 8
Victoria & Albert Museum Tel: 44-171-9388500
● Arts and Crafts Architecture: coinciding with the V&A's William Morris exhibition, this display tells the story of the development from the 1850s of an approach to domestic architecture which matched the arts and crafts ideals of William Morris. The display includes work by Philip Webb, Norman Shaw, W.E. Nesfield, C.R. Ashbee and C.F.A. Voysey; to Sep 29

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Lari Pittman: this mid-career survey of southern California artist Lari Pittman highlights 35 of Pittman's works, including new *paintings created* specially for this presentation. Pittman's work explores issues of individual and social identity, often from a gay perspective; to Sep 8

JAZZ & BLUES
Hollywood Bowl Tel: 1-213-850-2000
● American Airlines Jazz at the Bowl: featuring Gerald Albright and Ray Charles with the Raelettes and The Ray Charles Orchestra; 7.30pm; Sep 4

■ MONTREUX

CONCERT
Auditorium Stravinski Tel: 41-21-9622111
● *Orchestre Français des Jeunes*: with conductor Marek Janowski and pianist Barry Douglas perform works by Lutoslawski, Prokofiev and Beethoven. Part of the Festival de Musique Montreux-Vevey; 8pm; Sep 4

■ NEW YORK

EXHIBITION
Solomon R. Guggenheim Museum Tel: 1-212-423-3600
● Meret Oppenheim: Beyond the Teacup: the first US retrospective of the work of Swiss artist Meret Oppenheim. *The exhibition spans* more than 50 years of the artist's *oeuvre* and brings together more than 100 loans from Europe and the US, ranging in date from 1931 to 1985; to Oct 9

MUSICAL
Roundabout Theatre Tel: 1-212-575-3030
● *Summer and Smoke*: by Tennessee Williams. Directed by David Warren. The cast includes Mary McDonnell and Harry Hamlin; Tue-Sat 8pm, Sun 2pm, Wed, Sat also 2pm; from Sep 5 (Not Mon)

■ PARIS

EXHIBITION
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Georges Tony Stoll: the first solo-exhibition of this French photographer; to Sep 22

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.
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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

The power of politics

The Bank of England is right to be cautious about medium-term inflation, but the UK chancellor is looking for policies to win the next election

Ritual combat is an abiding element in British life. It can be seen in politics, where Her Majesty's government jousts against the loyal Opposition. It can be seen in the courts, where prosecution battles defence. It can be seen in the many sports the British have invented, from football to tennis. Now there is a new one – the procedure for making monetary policy.

For the British, rule-governed conflict is a route to truth and a vent for aggression. It can also be fun. The confrontation between prime minister and leader of the opposition is entertainment. So, increasingly, are the meetings between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England, the next being due tomorrow.

The "Ken and Eddie show" is also a soap opera. Mr Clarke plays the bluff man of the people, Mr George the cautious adviser. The chancellor is the people's favourite. But markets view things differently. Risk-weighted inflation expectations, derived from differences between yields on conventional and index-linked gilts, remain above 2½ per cent over the next three, five and 10 years.

Investors' doubts are hardly surprising. As an analysis by Lloyds Bank shows, there has been disagreement on three of the eight interest rate changes since the start of 1994. One, in January 1996, was on timing. But in February 1994 and June 1996, Mr Clarke cut the base rate of interest by a quarter of a percentage point, against the Bank's advice. The chancellor also rejected the Bank's recommendation to raise the base rate by half a percentage point in May 1995.

On the three occasions of serious disagreement, the chancellor favoured lower interest rates than the governor. If one such dispute might be a misfortune and two carelessness, what should one conclude from three? That the chancellor is a politician facing election. Yet maybe Mr Clarke intends to achieve his inflation target of below 2½ per cent, but disagrees on what needs to be done.

The question now is whether the Bank was right when it warned in its August Inflation Report that "a tightening of monetary policy will be necessary at some point to achieve a better-than-even chance of keeping inflation below 2½ per cent in the medium term". Or was the chancellor correct in his view, noted in the minutes of the monetary meeting of July 3, that data on inflation showed no indication of pressures building up?

To answer these questions, one must distinguish the prospects for demand from those for inflation. There is an excellent chance that demand will be strong over the next year or two. But whether that leads to significantly higher inflation depends, above all, on excess capacity, not least in the labour market.

Economic growth in 1996 has been disappointing. In the first half of the year, the economy grew at an annualised rate of only 1.6 per cent, according to the latest figures. This has not been because consumers have been laggards: consumers' expenditure rose at an annualised rate of 3.2 per cent in the first half of the year. Gross domestic fixed capital formation grew still more impressively, at an annualised rate of 7.5 per cent.

The principal reasons for worse-than-expected growth have been the poor performance of exports, strongly affected by the slowdown in Europe, and the unwinding of the stock build-up by manufacturers during 1995. But, as the Treasury said in its Summer Economic Forecast, "both domestic demand and exports now seem to be strengthening and output growth is expected to pick up in the second half of the year".

The continuation of the pick-up in growth is widely expected. The average of independent forecasts for economic growth in 1997 has risen from 3 per cent at the beginning of 1996 to 3.3 per cent by August. Some forecast faster growth: Mr Tim Congdon at Lombard Street Research is forecasting growth of 4.2 per cent and Merrill Lynch of 4 per cent.

Why might demand take off?

- With tax cuts of ⅓ a per cent of personal income in last year's budget and more expected this November, real personal disposable income should rise steadily.
- Broad money has been growing at an annualised three-month rate of about 10 per cent since March 1995, the fastest rate in the group of seven industrial countries.
- The ratio of personal gross interest payments to income is as low as at any time since the mid-1980s.
- The ratio of personal sector debt to income has fallen by about 10 per cent since 1990.
- House prices have been rising since mid-1995.
- Fixed investment has started to rise.
- Recovery in the principal European economies should boost exports.

The classic combination of monetary growth and asset price inflation, followed by improved job prospects and rises in disposable incomes, is at work. As economists at UBS argue, "the risk case would involve consumers' spending growth of between 5 per cent and 6 per cent and a double-digit expansion of private-sector investment". Impossible? Look back to events from 1986 to 1989.

Yet even a surge in growth need not raise inflation quickly. On this there are at least two reasons for optimism: the behaviour of the labour market and the fact that past cost increases were not passed through.

As the chancellor remarked at the monthly meeting in July, earnings growth remained very subdued. In itself that may not mean much, since it is a lagging indicator. More important may be the fact that almost the entire net improvement in unemployment performance in the recovery of the 1990s compared with that of the 1980s was accounted for by the rise in inactivity – not by more employment, therefore, but by more people dropping out of the labour force altogether. Thus, the falling unemployment exaggerates the tightening of the labour market.

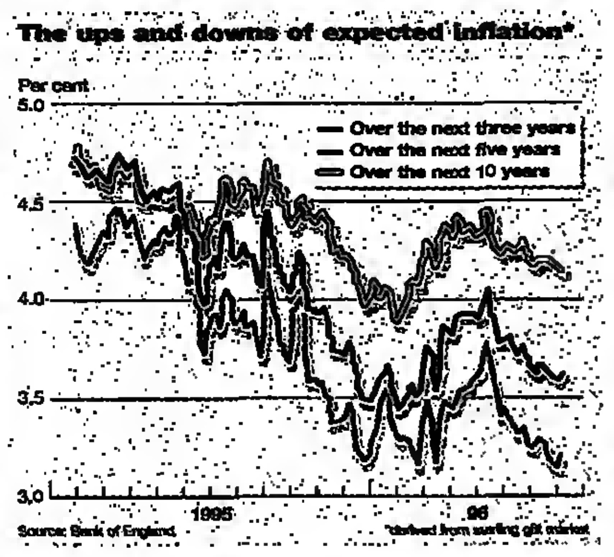
Equally significant has been the failure of the devaluation of 1992 and the surge in input prices during 1994 and 1995 to affect prices of outputs. With input and output price inflation now at very low levels, there is no reason to fear an immediate inflationary upsurge.

The immediate future promises fast non-inflationary growth with falling unemployment, rising employment and improvements in the public finances. In its early stages – perhaps for two to three years – this would feel wonderful, as such surges always do. But "with such a favourable short-term outlook ... there is always a temptation to ignore the consequences of faster growth of money and activity for inflation until inflation has started to rise. By then, however, it would be too late." Thus, quite reasonably, warns the Bank.

Yet eschewing the temptation to pile fuel on the flames is more than can be expected of a man in the chancellor's predicament. This is also why the UK's monetary policy framework is less than ideal.

It is good that opinions are out in the open. It is good, too, that the chancellor is constrained by public expression of opposing opinions. But in this tussle, one side has the weaponry, the other merely words. In the long run, the words will probably be right. In the short run, the ability to decide is more powerful, especially when a desperate general election looms so close.

The ups and downs of expected inflation*



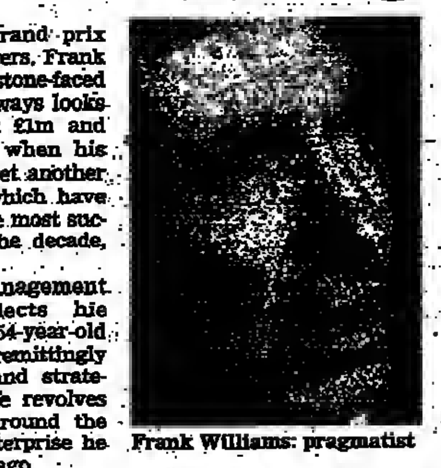
Source: Bank of England. *derived from sterling gilt market

Frank Williams may be exacting but he pushes no-one harder than himself, says **John Griffiths**

Manager firmly in the driving seat

To millions of grand prix motor racing viewers, Frank Williams is the stone-faced team boss who always looks as if he has lost £1m and found £10. Even when his cars are scoring yet another of the victories which have made Williams the most successful team of the decade, he rarely smiles.

He has a management style that reflects his demeanour. The 54-year-old Williams is an unremittingly hard negotiator and strategist for whom life revolves almost entirely around the success of the enterprise he founded 28 years ago.



Frank Williams: pragmatist

His decision to dispense with Damon Hill, 1996 world championship favourite, at the end of this season reflects his view of drivers as just one ingredient in grand prix racing.

With dwindling hope of finding an alternative seat next year Hill can at least reflect that he is in exalted company. Britain's Nigel Mansell and Alain Prost, three times world champion, are among those abruptly finding that they were not indispensable to Williams, even though each had just won world championships.

Williams will not go into the background reasons for severing ties with Hill, except to insist that it was not immediately over the driver's demand for a 50 per cent pay rise, to about £9m for the 1997 season. Nor will he comment on rumours that he promised Hill's seat to Heinz-Harald Frentzen, the fast young German and contemporary of reigning world champion Michael Schumacher, nearly a year ago – and that negotiations with Hill right up to the end of last week were simply cynical "window-dressing".

Yet grand prix habitués who know Williams well suggest he has merely been exercising, adroitly, one of the more elusive managerial skills – keeping as many options as possible open until the very last minute.

If, as now seems highly likely, Williams is placing Frentzen under contract, it will be because he has concluded that the 24-year-old German is at least as fast as Hill, can mount a more convincing challenge to Schumacher and can be signed up more cheaply.

Those who have worked with or for Williams describe the same pragmatic approach being taken to all aspects of the business. Williams now employs 240 staff at its Wantage headquarters in Oxfordshire. With sponsorship revenues and marketing and promotional activities the business generates a turnover well in excess of £30m a year.

"It is a sport – but only for about 90 minutes, 16 times a year," says Robert Baldock, a partner in Andersen Consulting, one of Williams' sponsors.

Arthur Andersen is not merely handing over a chunk of cash to have its name on the drivers' helmets. Earlier this year it organised the move of the growing grand prix team from Didcot to Wantage – including all plant and equipment, and even its massive wind tunnel. "It was all over in 48 hours," says Williams. "We hardly missed a beat."

Both premises and people reflect the same surgical approach. The fabrication and carbon-fibre body moulding shops rival in cleanliness the studios where Patrick Head, technical director, has been designing and developing Williams' grand prix single-seaters for 20 years.

Despite his record in employing drivers, the durability of the partnership with Head provides some evidence of the loyalty that Williams has been able to inspire and which has kept staff turnover levels low. "Yes, Frank's a perfectionist and he's very demanding. But this is a fantastic business to be involved in," says Ann Bradshaw, a Williams administrator for many years. "There's a really good atmosphere and no-one minds working hard."

Williams, the majority owner of Williams Grand Prix Engineering, exerts strong day-to-day management control in concert with Head. With complete new cars requiring development in months, sometimes weeks – in contrast with the several years of roadgoing cars – both say the decision-making process needs to be fast and efficient; if not quite autocratic.

If Williams really were as sombre as the TV screen makes out, few would blame him. A road accident just outside the Paul Ricard circuit in southern France nearly 10 years ago has left him confined to a wheelchair.

He requires nightly nursing care; part of each day is spent suspended in a frame to maintain his circulation. Typically, it is fitted with earphones and a phone button so that work can go on.

Despite his physical disadvantages Williams is at his office seven days a week. Although the drivers who have worked for him may find it hard to believe, he pushes no-one harder than himself.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Clean-up important for politics

From Mr S.K. Rao.

Sir, In discussing the harmful effects of money-laundering, Stephanie Flanders, in her excellent report "Cleaning up the global economy" (Economics Notebook, August 26), fails to mention one important aspect which makes it even more important to combat it.

In a number of countries, illegal money-making activities have spawned criminal gangs and entrepreneurs of various shades with deep links to tha political system. They have introduced criminality into political processes, and have undermined the value of legitimate work and genuine enterprises.

Combating money-laundering, therefore, is important not only for reasons of economic efficiency but also because of the need to fight criminality in the polity at large. The Commonwealth finance ministers will make a significant contribution at their meeting in Bermuda this month by promoting international co-operation in combating money-laundering which is vital.

S.K. Rao,
Flat 2,
5 Maresfield Gardens,
Hampstead,
London NW3 5SJ, UK

Nothing mythical about tax cut view

From Mr Arthur M. Shatz.

Sir, Philip Stephens ("Reborn as a New Democrat", August 30) quite wrongly states that: "The Reagan years exploded the myth that cutting the tax rates is the way to raise revenues." Even the most superficial examination of US tax revenues shows that they increased after the tax cuts. The deficit ballooned because inflation-adjusted entitlement programmes and the defence build-up pushed expenditures faster than revenues increased.

The fact that the Reagan administration was intellectually dishonest about its budgets does not change historical fact, nor does it give Mr Stephens licence to write science fiction when he is paid to write political commentary.

Arthur M. Shatz,
chief financial officer,
Amicale Industries Inc,
1375 Broadway, 25th floor,
New York, NY 10018, US

Downside of the financial superstores

From Mr John Donovan.

Sir, The most recent investment debacle, Flemings ("The Jardine Fleming Affair", August 30), and the American row between The Securities and Exchange Commission and Nasdaq lead one to the inevitable conclusion that investors should place their investment funds only through agents who have no in-house funds or market making divisions. All singing, all dancing, one stop financial superstores are not for the benefit of the client. If the manager of your funds deals as a principal, do you really expect to get the best deal?

John Donovan
53A La Pleta dels Mollassos,
Ordino,
Principality of Andorra

No life in high rise

From Mr Keith Wedmore.

Sir, These pleas for a 90-storey skyscraper at London's Baltic Exchange come near to social irresponsibility (Letters, August 21). One needs to think about the effect of a high rise on the relationships of people that have to live or work in one.

It is 19 years since France's Peyrefitte committee drew attention to urban life's tendency to be more unstable in an environment of large blocks. Crime and fear of crime are directly associated with both the height of buildings and general size of a development. The reason is obvious to all – it is difficult to have real neighbours in and around high rises, and without a caring community there is no community.

Phrases like "stylish ... modern ... impressive from afar" sound a warning bell. Considerations of architectural and civic vanity should not prevail over the need to create places where people can function as people.

Keith Wedmore,
5 Cornelia Avenue,
Mill Valley,
California 94941-1840, US

Commission going for political quick fix with Eco-label

From Mr S.G. Kay.

Sir, Your article "Eco-labelling plan upsets paper makers" (August 26) gives the distinct impression that by opposing the EU's Eco-label plans, paper manufacturers are not concerned abont environmental improvement and performance. I have been involved in this issue for more than four years, the last two as chairman of an Eco-label working party representing the industry throughout the EU.

The industry has invested considerable money, management and effort into real environmental improvements; it strongly supports environmental management and the EU's own Environmental Management and Audit System (Emas) which requires paper mills, after meeting stringent criteria on current operations, to commit to incremental improvement of environmental performance. Achievement of Emas, or the analogous BS7750 or ISO 14001 systems, takes time and substantial work, and is not achieved overnight.

Unfortunately, the Commission has gone for the apparent quick fix with the Eco-label, no doubt to prove its political virility. The Eco-label as proposed is poorly based; will encourage no-one to improve their environmental performance; is costly and offers no incentive once quite arbitrary quotas are fulfilled.

Consumers should not be fooled by such a spurious label. Real commitment to an improved performance by paper companies is demonstrated by their working towards, or achievement of Emas or BS7750; by clear and factual environmental reports prepared on a scientific and consistent basis and regularly published; and by investment in up-to-date technology to reduce or eliminate discharges to water, land and air. These are controlled in the UK by integrated pollution control; and will be in the future by the EU's integrated process and pollution control mechanism.

The substance and myth of the EU's Eco-label as currently promulgated give paper manufacturers, sadly, no confidence in the results so far. Hence our opposition to it after long and tedious years of discussion and input to the process.

S.G. Kay,
group managing director,
Inveresk,
Inveresk House,
3 Pitreavie Court,
South Pitreavie Business Park,
Dunfermline,
Fife KY11 5PU, UK

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday September 3 1996

The haven is no more

Whatever else emerges from the current confusion in and around northern Iraq, it is clear that western powers' pretensions to be maintaining a Kurdish "safe haven" there are no longer tenable. Virtually the whole area north of the 36th parallel – the only official geographical definition the haven has ever been given – is now controlled either directly by Saddam Hussein or by the Kurdistan Democratic Party which has become his ally, in as much as it has sought and obtained his military aid in a battle against fellow Kurds. The only territory controlled by Kurds who are still unequivocally opposed to Saddam Hussein – those led by Jalal Talabani – lies mainly south of the 36th parallel, around Sulaimaniya.

Actually the quasi-independent Kurdish entity that existed from 1991 until last week never corresponded to this simple east-west line. Rather it followed the contour lines. Mr Saddam left the Kurds their mountains, while keeping firm control of the plains (and the oilfields). What mattered was the haven's proximity to Turkey. It was mainly to reverse the flow of Kurdish refugees into Turkey that the west went in in the first place, and it is through Turkey that western contact with the haven has since been maintained.

Indeed, one reason why the haven gradually lost credibility, both with the Kurds themselves and with the outside world, was that the west could not stop repeated incursions into it by the Turkish armed forces, searching for bases of the Kurdish insurrection that confronts them inside Turkey. This probably explains why the west failed to react in July when the Iranians, in their turn, raided the base of an Iranian Kurdish party within the haven.

Mass exodus

But it was and is the KDP that controlled the area closest to the Turkish frontier, including the crossing point at Zakho. So long as the KDP remains on good terms with Baghdad the mass exodus of Kurds into Turkey is unlikely to repeat itself. So Turkey would have no interest in allowing western ground troops to go back into Iraq to protect Sulaimaniya, and even if it did those troops would presumably have to fight the KDP before they made any direct contact with Iraqi government forces. This time it would not be a simple case of "saving the Kurds", but an intervention in an intra-Kurdish war. No western government will be tempted by that prospect.

Bitter experience

If any state is likely to come to Mr Talabani's aid it is Iran, whose proximity to the area he controls gives it both opportunity and motive: it is Iran that would be likely to receive a new influx of refugees if Sulaimaniya fell, and Iran has learnt from bitter experience to fear and detest Saddam. The US, however, considers the regime in Tehran little better than Saddam himself. Fear of strengthening Iranian influence has consistently inhibited the US from giving all-out support to the Iraqi opposition, in which the non-Kurdish elements are mainly Shia Moslem.

So the US will not want to see Iran coming to Mr Talabani's rescue. His hints that he will call for help from Iran if he does not get it from the west are therefore well judged. The US may well be prepared to pre-empt such a call by attacking Iraqi forces from the air if they move on Sulaimaniya.

But that would not obviate the need for a more radical rethink of western policy towards Iraq. Nor would it conceal the failure of the safe haven as such – a failure which may have a wider moral. The haven was one of a growing number of quasi-states – the "Turkish Republic of Northern Cyprus", the Palestinian Authority, "Republika Srpska" – where reality is at odds with internationally recognised sovereignty, and diplomats have tried to fudge the difference. That is often a good way to postpone crisis, but seldom a way to resolve it.

Old Labour's to lose

No-one should be surprised that Mr Tony Blair has declared himself content to wear the label of a social democrat. Nor that his deputy Mr John Prescott prefers to style himself a democratic socialist. For all but a handful of students of the political left, the two expressions might be interchangeable.

But behind this latest difference of emphasis between the New Labour Mr Blair and the traditionalist Mr Prescott lie deeper tensions. And at the start of the last political season before the general election, it offers a reminder that divisions among Mr John Major's Conservatives are mirrored by dissent within Labour ranks.

By all recent standards, Mr Blair starts the final lap before the election with an unbeatable advantage. During the last month, Labour's lead in the opinion polls has averaged over 20 points. That compares with a margin of just four or five points at the same stage of the electoral cycle during the last parliament. No government has recovered from a deficit as large as that faced by Mr Major's administration.

Yet there are also small signs of encouragement for Mr Major. The so-called "feelgood factor", the balance between those voters who believe their financial position will improve over the next year and those who think it will worsen, has at last been moving in the government's favour. With reason.

Economic glow

Inflation has remained low, real incomes and consumer spending are rising, and the housing market is experiencing a modest upturn. Mr Kenneth Clarke, the chancellor, no doubt will conjure up a cut in income tax in his November Budget. There are real uncertainties about the longer-term balance and sustainability of the recovery, but little reason to suppose that the present economic glow will be extinguished before polling day.

For all its obvious lack of taste, the Conservatives' demon-eyed advertising campaign strikes at Labour's most vulnerable flank. Mr Blair's lead is built as much upon hostility to the government as upon enthusiasm for his party. In the back of many voters' minds remains an anxiety that Labour in power might revert to its bad old ways, that Mr Blair might be swamped by the tax and spending ambitions of his Old Labour colleagues. Between now and the election, fear of change will run hard against time for a change.

Recent rumblings

So the Labour leader cannot ignore the recent rumblings of discontent within the shadow cabinet and the parliamentary Labour party. But nor must he concede to them.

His own position has been unambiguous. Mr Blair wants to shift radically the party's centre of gravity. New Labour was born of his embrace of the market economy, of prudent economic management, and of conservative social values. As he remarked in a weekend BBC interview with Sir David Frost, the aim was not to tinker with past policies but to offer an entirely different prospectus: radical but centrist, social democrat rather than socialist.

Reassurance for the middle classes, however, is now coming at the price of visible internal dissent. Mr Prescott's unease, shared by others in the shadow cabinet, has been apparent for some time. He resents the influence of the party's media managers, fearing the spin-doctors' message too often substitutes for policy. More recently, he has been unhappy with Mr Blair's determination to keep up the pace of reform. The two men have clashed over substance as well as style. Like others whose political roots lie with the left, Mr Prescott has been saying thus far but no further.

The differences are damaging. The voters dislike nothing so much as divided parties. But if Mr Blair were to retreat now, he would simply confirm the fears of wavering voters. Instead he must hope that the traditionalists bury their doubts in the realisation that the election is still Old Labour's to lose.

A time of living dangerously

Foreign businesses are continuing to invest in Indonesia despite concerns over Suharto's successor, says **Manuela Saragosa**

It was business as usual at the opening of a new Indonesian plant for the UK's Imperial Chemical Industries group last week. Shrugging off recent political turmoil in the country, Mr Rob Margetts, an ICI executive director, said the occasion marked "the beginning of much greater involvement" by ICI in Indonesia.

This is the kind of optimism the Indonesian government wanted to hear after some of the worst anti-government rioting in Jakarta for more than 20 years. The unrest at the end of July shook the confidence of investors in President Suharto's government, prompting them to rethink their assessment of the political risk associated with doing business there.

But the rupiah, the Indonesian currency, is now trading back at the strong end of its government-determined band against the US dollar, and the equity market is staging a cautious recovery. Have Mr Suharto's assurances that "political and economic stability have been restored" been enough to calm investors?

Many analysts believe the recent turmoil was simply a reminder of the political risk inherent in Indonesia's system of government. "What [people] have just seen is a symptom of something, not a cause," says Mr Charles Webb, the regional director for Control Risks Group, a political risk consultancy, in Singapore. That "something" is the approaching end of the Suharto years. The president, although reportedly healthy, will be 77 by the time of the presidential elections scheduled for 1998. And with no clear successor, the political horizon is clouded with uncertainty.

For many investors the crucial question is whether Mr Suharto's successor will continue to guarantee the businesses of his children and associates, many of whom have partnerships with foreign investors and control large parts of the economy. "At some point there is a choice between sound economic policies and policies which benefit special interest groups," says an Indonesian political analyst. "In a post-succession scenario, no-one knows whose interests will be protected."

This is of particular concern to Indonesia's ethnic Chinese, a minority often resented by other Indonesians for their disproportionate control of the country's wealth. Ethnic Chinese, who have benefited from close relationships with and protection from Mr Suharto, have been actively investing offshore in recent months. They have not forgotten that previous riots in Indonesia have quickly developed into anti-Chinese demonstrations and the spilling of Chinese blood.

Sinar Mas, a conglomerate controlled by the ethnic Chinese Widjaja family, and clove-cigarette tycoon Putera Sampoerna (the Indonesian name of Liem Chen Pao) have each bought companies on the Singapore stock exchange. In July, Salim Group, Indonesia's largest conglomerate, bought additional shares in QAF, a Singapore-listed baker.

And an announcement from Lippo Group, one of the Indonesia's largest conglomerates, that it was restructuring shareholdings in three of its listed companies has raised concerns that the founding shareholders are selling their stake in Lippo Bank, the group's flagship listed company. Equity analysts believe the moves will reduce the stake of the ethnic Chinese Riady family in Lippo Bank to nothing.

The July 27 riots – sparked by the government-engineered removal of Ms Megawati Sukarnoputri as leader of the opposition Indonesian Democratic party – were not the first time investors were reminded of the uncertainty surrounding Indonesia's future. In April, the sudden death of the president's wife brought home the mortality of Mr Suharto himself. Two months later, he flew to Germany for a thorough medical check-up, raising questions about his health.

The problem for investors is that the large and fast-growing Indonesian market is rich in opportunities; but the old-fashioned, authoritarian style of government, where the military retains an important role, contrasts sharply with the recent liberalisation of the economy. As Mr Sjahrir, an Indonesian economist at the Institute for Economic and Financial Research in Jakarta, puts it: "The problem is that while our economy is going global, our politics is still in the era of *Jurassic Park*."

Of all the various measures of investors' confidence, it is the equity market that has been worst hit by the political uncertainty. The Jakarta Composite Index has dropped 12 per cent since the beginning of June, although the market has recently been staging a cautious comeback.

"In the past an attraction to investment in Indonesia had precisely been the stable political outlook of the country," says Mr Jonathan Harris, an analyst at HG Asia in Jakarta. "We believe that the equity market is now in a learning phasa while it attempts to come to a view of how it should treat politics in the long-term."

Reflecting the doubts about the political succession, listed companies controlled by presidential family members have been the most affected. Shares in Bimantara Citra, a holding company controlled by Mr Suharto's second son, Mr Bambang Trihatmodjo, have dropped about 16 per cent from their closing price the day before the riots. Better than expected first-half results last month failed to lift the shares because of the political overhang, analysts said.

Such uncertainties may also affect the country's fledgling privatisation program. The state-owned Bank Negara Indonesia is expected to list its shares before the end of this year, and the government will want to avoid a repeat of the embarrassment surrounding the initial public offering last year of Telkom, the state-controlled domestic telecommunications company. The government was forced to cut the size and price of the offer after expected international demand failed to materialise.

The Indonesian rupiah's reaction to political developments, meanwhile, has been less dramatic than that of the stock market. HG Asia's currency-based risk measurement of Indonesia shows that jitters were far greater at the beginning of the year – when there were worries about economic overheating – than at any time since.

It is in foreign direct investment that perceptions of change in political risk are most difficult to measure. Foreign direct investment approvals have dropped 26 per cent in the first seven months of this year to $21.8bn (£14bn) compared with the same period of 1995.

Some attribute the decline to concerns about Mr Suharto's future as well as to a string of economic policy decisions which have baffled foreign investors. These include a decision by Mr Suharto to award tax and tariff breaks to his youngest son, Mr Hutomo Mandala Putra, to develop a "national car" in a move that leaves established investors in the automotive sector at a disadvantage.

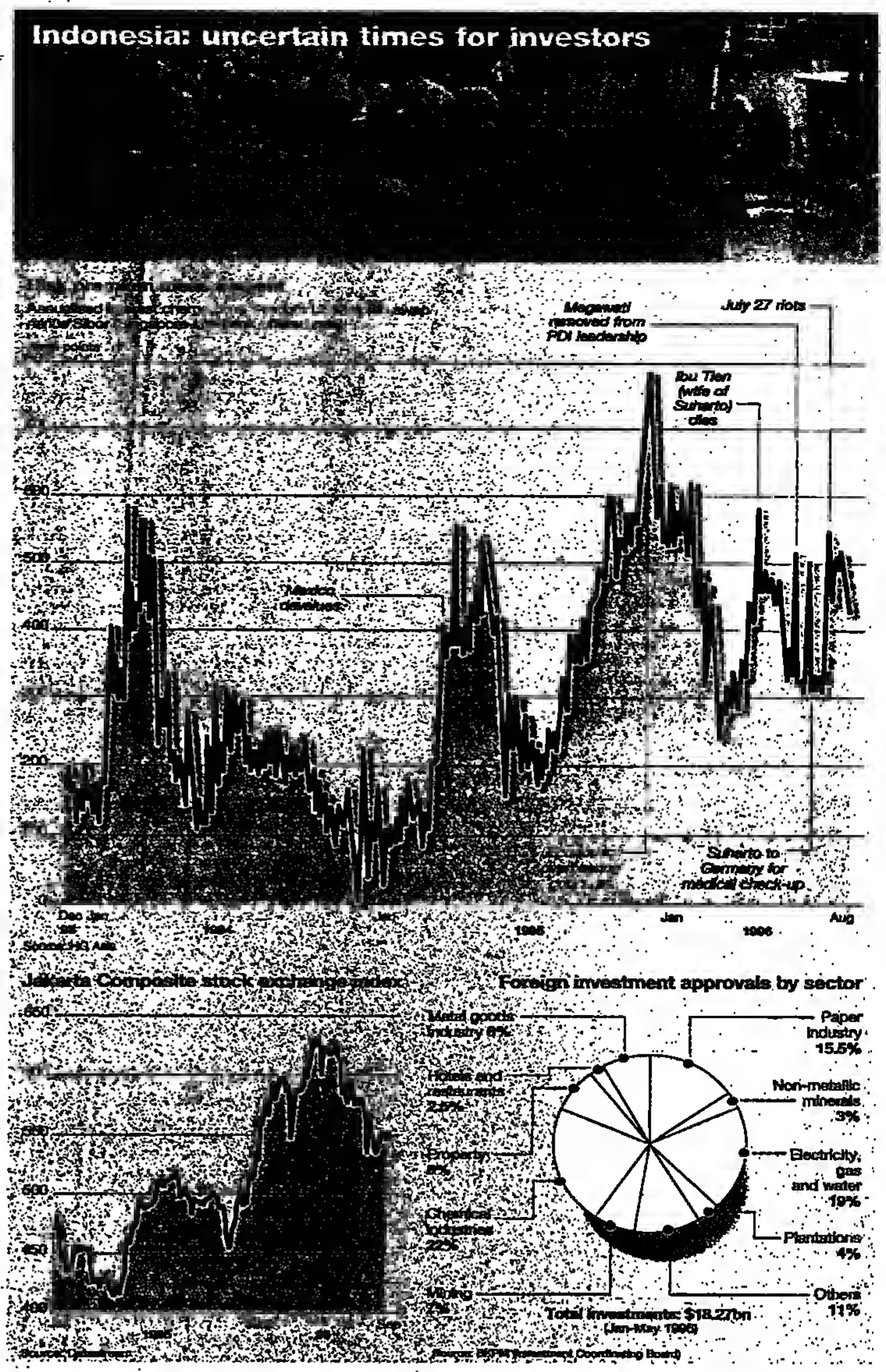
There is also a view, however, that 1995 was a "freak" year for foreign investment – approvals hit a record $39.9bn which included a number of large, one-off petrochemical projects – and that a repeat was unlikely.

Several foreign investors have made clear they are not about to change their position on Indonesia after the riots. ICI has plans to invest about $200m in Indonesia over the next three years. An executive at a Japanese textile company which has invested heavily in manufacturing plants in Indonesia says: "We have big plans for expansion next year worth $100m and we have no intention to drop that plan."

Nor does there seem to have been much lasting impact on the cost of funding for the Indonesian government. It issued $400m in debt in the US two days before the riots, in a move designed to set a benchmark for Indonesian companies raising debt offshore. In the immediate aftermath of the riots the yield rose on political fears, but has now stabilised relative to other bonds.

However, the cost of financing individual projects – particularly those over five or 10 years which involve a member of the Suharto family or depend on the president's business associates – is expected to rise. It is investors who are in partnership with Mr Suharto's relatives and friends who are most exposed to a change in leadership.

"It's very unlikely that the Suharto clan will have the punch, power and pre-eminence that they have now in 10 years' time," says Mr Webb of Control Risks. "The positioning of the Suharto clan may now endanger the very projects that were bringing them in for protection. It's rather like hiding under a very large tree and then hearing it begin to creak."



OBSERVER

Don't get too mad

■ [illegible]

in 1985 along with Jacques Delors, the incoming president of the European Commission. [illegible]

Make a killing

■ [illegible]

The cull is designed to restore consumer confidence dented by the BSE scare by removing from [illegible]

Bottling it up

■ [illegible]

Left party's jump from a 6 per cent vote in the 1994 general election to opinion poll standings around 12 per cent.

There had already been clouds gathering round her. She came under fire earlier this year for joining her teenage daughter at a rave party, at a Stockholm venue which police said was the scene of drug trafficking. Then she was criticised for moving out of the commune she had lived in for years, to a smart flat in Stockholm's fashiooable Old Town. It's enough for anyone.

Crash landings

■ That regular air show fixture – the slanging match between Boeing and Airbus Industrie – got off to a promising start yesterday at Farnborough in the UK.

Ron Woodard, Boeing's commercial aircraft boss, accused Airbus of contemplating financial suicide with its plans to build a 550-seater. He then rubbed it in by announcing orders for 68 Boeings.

No sooner had Woodard finished pummelling his rival than the floor in the press centre collapsed, causing mild panic but no injury among the hacks. The result: Airbus had to postpone its press conference – and its retaliation – until this morning.

The Financial Times

100 years ago

Japanese Competition
Apropos of Japanese competition in Eastern markets, our Consul at Osaka quotes some very unpleasant statements - unpleasant, at least, to English ears. In 1875 we are told that out of the total of yarns imported into Hong Kong, China and Japan, those from this country formed 82 per cent. In 1894 they only formed 14.2 per cent and this was owing entirely to the competition of Japanese yarns. It is however some consolation to know that wages are rapidly rising in Japan. These tendencies are likely to increase. On the other hand, with more ample machinery, increased transport facilities and greater technical knowledge Japan is likely to become year by year more formidable to us.

50 years ago

World Fund's First Task
New York: Preliminary steps for putting the International Monetary Fund into operation are being prepared. M. Camille Gutt, managing director of the Fund, states that during September letters will go to all countries participating in the Fund seeking the information necessary for setting up par values for their currencies. Each nation will be given 90 days to confer with Fund officials on whether the present rates should prevail.

FINANCIAL TIMES
Tuesday September 3 1996

Brussels offers talks on subsidy guidelines

Compromise likely on E German aid to VW

By Wolfgang Münchau in Frankfurt

The European Commission and German officials yesterday appeared ready to compromise in the dispute over the payment of state aid to carmaker Volkswagen in eastern Germany.

Mr Jacques Santer, president of the commission, offered talks on establishing new guidelines on how industries in former East Germany could be subsidised, while government officials met Mr Karel van Miert, the competition commissioner.

At issue is DM91m ($61m) of a DM241m subsidies package VW received for the construction of a car plant in Mosel and Zwickau which the commission has ruled is in breach of European law on competition.

So far, the government of Saxony, which has distributed the funds, has refused to comply with the commission's ruling, but is now understood to have offered a temporary subsidy freeze to avert imminent legal action. The commission will tomorrow discuss how to proceed and whether to seek an injunction in the European Court to force the carmaker to pay back the funds.

Mr Santer interrupted his holidays "to discuss the principles and structures of a possible compromise" with a senior official from the chancellery in Bonn.

He said: "We are discussing the basis of a memorandum by the German government outlining how to deal with state subsidies for the east of Germany. We want an amicable agreement. A confrontation is in nobody's interest."

However, he added: "The state of illegality has to be terminated. We therefore have to find a modality to block the DM91m which Saxony has paid to VW despite the commission's ruling."

Mr Kurt Biedenkopf, prime minister of Saxony, yesterday welcomed Mr Santer's comments. He told German breakfast television: "I consider Mr Santer's framework for a solution to be absolutely correct."

But he warned that a repayment of money was unacceptable because it would endanger VW's investments in the state. The level of economic development in eastern Germany necessitated an above-average level of subsidy until 2005, Mr Biedenkopf said.

German legal experts claimed the commission had no right to interfere in issues concerning state aid to eastern Germany, which were exempt from normal European Union rules on aid.

According to Mr Santer, the exemption should be used only in "exceptional cases".

Arab states warn against military strike on Iraq

By Edward Mortimer in London and Gerard Baker in Tokyo

Arab leaders warned against western military action in Iraq yesterday as US officials toured the Middle East canvassing options for a tough response to President Saddam Hussein's intervention in the Kurdish "safe haven".

In London, world oil prices rose to their highest since last April, while in Tokyo Mr Malcolm Rifkind, the British foreign secretary, hinted strongly at military action by the US and its former Gulf war allies. However, Middle East leaders urged caution and respect for Iraqi sovereignty.

UN relief officials and guards stationed at Arbil said Iraqi government troops, tanks and artillery had withdrawn from the north Iraqi city which they occupied on Saturday. They said the city had been left in the hands of the Kurdistan Democratic party, whose leader Mr Massoud Barzani had appealed for Baghdad's help in a struggle with a rival Kurdish faction.

But the Iraqi troops remained about 5km away, the relief officials added. According to the Iraqi National Congress, a leading opposition group, more than 270 tanks are still in and around the city.

General John Shalikashvili, chairman of the US joint chiefs of staff, and Mr Robert Pelletreau, assistant secretary of state, had lunch with Egyptian President Hosni Mubarak in Cairo before leaving for Washington. Earlier they visited Saudi Arabia and Jordan.

It was clear, however, that western and regional powers would not easily reach a consensus on how to respond to President Saddam's intervention in a conflict between Kurdish factions.

King Hussein of Jordan told the US envoys that outside parties should not intervene in Iraq's affairs, while Mr Amr Moussa, Egyptian foreign minister, called for an end to the bloodshed in northern Iraq and respect for Iraq's sovereignty and territorial integrity.

Mr Rifkind, on a visit to Japan, said Britain would soon join the US and other former Gulf war allies in a concerted response to Baghdad's incursion into a "safe haven" for the Kurds since 1991.

In late London oil trading, the price of the benchmark Brent Blend for delivery in October rose $1.22 to a high for the day of $22 a barrel, before closing at $21.99. The rise was provoked by the decision of Mr Boutros Boutros Ghali, UN secretary-general, to delay implementation of a deal worked out earlier in the summer under which Iraq is to sell limited quantities of oil to finance purchases of food and humanitarian supplies.

Oil prices lifted, Page 5
Editorial Comment, Page 13
See Lex

Three Morgan Grenfell funds suspended

Continued from Page 1

it investigated "possible irregularities". It added that it would meet liabilities in respect of any irregularities identified.

Mr Young, one of 43 directors of MGAM, has been suspended during the inquiry.

Another fund manager in charge of the Europa fund is not facing investigation.

The trustee of the two unit trusts involved is Royal Bank of Scotland. It said last night that it was not yet possible to say how much of the funds were affected.

"We have not yet identified the whole picture," the bank said.

FibaNordic Securities, one of the principal brokers to the funds, which specialises in Scandinavian securities, said it had been in discussions with Morgan Grenfell over valuations of unlisted securities that it had provided.

The news will be a blow to Morgan Grenfell's aspirations to increase its European investment management business. It has recently made an offer to take over management of the £500m Kleinwort European Privatisation Investment Trust.

Ukraine's currency switch delights the locals

By Matthew Kaminski in Kiev

The old Kiev street vendor's eyes lit up when a customer paid for a pack of Marlboros with a new two-hryvna note.

"I've never seen one before," he said. Before the new currency went into use yesterday, he would have been handed a note for 20,000 karbovanets – Ukrainian for coupon.

Then he had a close look. "Maybe it's a fake".

"We used to be millionaires," laughed Ms Margeurita Gonchareva, a history teacher, But she was happy to see the zeros disappear from the nation's banknotes.

"I think the hryvna's great – each independent country must have its own currency. Maybe the first few weeks will be a bit tricky, but our living standards should improve if inflation remains low."

Government assurances that prices would not increase in the transition were treated with some caution after staple foods – such as sausage and salo, the Ukrainian pig fat delicacy – rose some 10 per cent over the weekend, according to Interfax news agency.

Shopkeepers and traders marked up prices, reflecting a lack of confidence in the government. Others were taking advantage of the confusion to raise profits.

Apart from some small-scale profiteering, yesterday's launch of the hryvna passed almost without incident as Ukrainians queued outside banks to change their old coupons for the new currency

"There was even less agitation than we expected," said Mr Victor Pynzanyk, deputy prime minister. The hryvna held steady against the dollar at 1.76-1 in its debut at the interbank currency exchange, propped up by central bank intervention.

Exchange rates at street kiosks, after some panic buying of hard currency in the days preceding yesterday's introduction, were similarly stable, as a full-fledged government public relations campaign seemed to calm the population of 52m. No panic buying of dollars was reported.

Mr Pynzanyk, who leads the reform lobby in cabinet, predicted prices should fall again. The inflation rate, he said, was higher last month than the 0.1 per cent rise in July, but mainly because rent subsidies had been cut.

The government last week announced a month-long price freeze from yesterday, which analysts said might smooth the transition provided the government does not use the mechanism artificially to repress inflation.

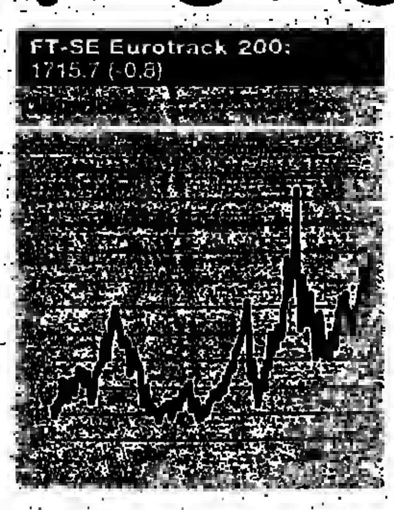
THE LEX COLUMN

Flying high

Europe's aerospace industry, gathered this week at Britain's Farnborough air show, is in a dangerously self-congratulatory mood. Aircraft sales are rising; and the dollar is stable. This is, of course, good news in the short run. Both Germany's Daimler-Benz Aerospace and France's Aérospatiale, which have been bleeding red ink in recent years, are confidently predicting profits in 1998. They may even return to the black next year.

The risk, though, is that the cyclical upswing will take the pressure off managers to carry through the unpleasant task of cutting jobs. Tentative signs of such backtracking are emerging. Daimler, for example, last week said fewer jobs would need to go under its "dolores" recovery programme than originally envisaged. And Mr Yves Michot, state-owned Aérospatiale's new chief, said this week that the planned merger with Dassault Aviation should not lead to job losses or site closures. Both groups have also recently spoken about evolutionary approaches to restructuring Airbus, the civil aircraft consortium in which each holds a 37.9 per cent stake.

It would be understandable if Europe's aerospace industry used the current breathing space as a reason to shirk tough action. But it would be a mistake. Failure to improve productivity now will mean the industry is not well placed for the next downturn. With US rivals like Boeing and Lockheed restructuring at a breakneck pace, the penalties for being uncompetitive could be particularly severe.



Shareholder value

Daimler-Benz neatly encapsulates Germany's ambivalent attitude to the concept of shareholder value. At last week's half-year results, its chairman, Mr Jürgen Schrempp talked of "profit, profit, profit". Meanwhile, his finance director, Mr Manfred Gentz – with one eye on Germany's powerful unions – is musing that shareholder value should not be the sole yardstick by which Daimler measured itself.

The problem is that while almost all German public companies now claim to espouse shareholder value, most have nothing more in mind than keeping their investors supplied with information and (hopefully) dividends. What is needed, therefore, is a clear definition of shareholder value. The simplest solution is probably to measure a company's return on capital, compare it to its cost of capital and see whether the company is creating or destroying value.

On this score, most German companies do not even get to first base. Questioned about shareholder value in a recent survey, only half a dozen of the country's top 30 companies even mentioned return on capital. Daimler, Siemens and Bayerische Vereinsbank have at least set numerical targets for returns. But these mean little until they introduce tighter definitions of capital employed – asset bases have often been written down due to restructuring. Veba, the conglomerate, is one of the very few companies that has actually worked out a risk-adjusted cost of capital for all 50 of its business units and measures its managers on whether they beat it or not. This is the sort of rigorous approach investors should press for elsewhere.

Oil

Iraqi president Saddam Hussein's role as the oil industry's best friend continues. Just as the United Nations's food-for-oil agreement was to add over 600,000 barrels of Iraqi oil per day to world supply, Iraq's attack on a Kurdish "safe haven" has turned that tap off. Given limited oil stocks, high prices should be sustainable until the onset of winter in the northern hemisphere, when Iraqi supplies will be more easily absorbed.

It has become harder than in the past to pick winners from a rising oil price. Hedging by exploration and production companies reduces the impact of oil price movements, while integrated oil companies can be as affected by the chemicals cycle. There have been long periods where there was virtually no correlation between oil prices and oil shares. Nonetheless, the sector, particularly E&P companies, offer substantial value if current oil prices are sustained.

But that is unlikely. It is only a matter of time before Iraqi oil pours back into the market, adding to growing supplies from non-Opec regions like the North Sea and Colombia. And even if Iraqi sales were postponed indefinitely, leaving prices to rise further, oil producers real returns on capital would be back at record levels. That could prove too tempting for governments which abolished or reduced petroleum taxes due to declining prices in the early 1990s.

AEA Technology

Like a scientist's briefcase, AEA Technology is crammed with potential. The engineering services group, whose £200m privatisation is being billed as this government's last, is best known for decommissioning the UK's nuclear reactors. But it also monitors Britain's air quality and invented the high-performance batteries used in mobile telephones.

The impression, however, is that the group has been rather haphazard in turning good ideas into successful products. The first job of AEA's top management, recently drafted in from the private sector, is to prove it can turn a research house into a commercial company. The second task will be to boost sales at a time when nuclear work from the UK government is declining. Over the past three years, turnover has remained static despite double-digit increases from overseas and private-sector work. Profits, by contrast, have shot ahead as the company has reduced its workforce by a quarter. But with the easy cuts made, this is one privatisation that offers only limited scope for growth through further cost savings.

The shares have yet to be priced, but a £200m valuation implies a share price of 250p, or 13¾ times prospective earnings – a 10 per cent discount to the market. That looks attractive, given estimated growth of 10-15 per cent in each of the next two years, as the business mix improves margins. There is also a chance of a bid from big power station builders like GEC Alsthom once the government's three-year golden share expires.

FT WEATHER GUIDE

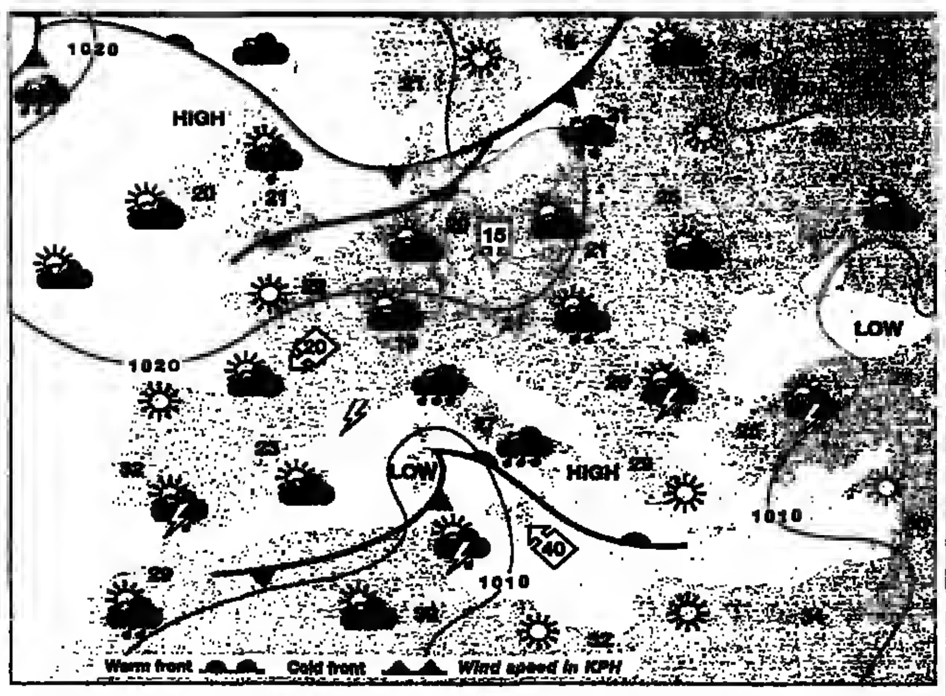
Europe today

It will be sunny over most of Europe as high pressure dominates from the British Isles across the Benelux towards Moscow. A weak frontal system will bring cloud and light rain over Scotland, East Anglia, Denmark and Finland.

Low pressure west of Sardinia will promote thunderstorms over the western Mediterranean. There will be cloud and rain in Italy. Local thunderstorms are likely to develop over south-eastern Spain and around the Black Sea. Afternoon temperatures will reach 30C in Spain, Greece and Turkey.

Five-day forecast

There will be sunny spells over north-western Europe with temperatures just above 20C. An area of low pressure over the western Mediterranean will shift towards the Alps bringing frequent thunderstorms and rain to Italy, the Alps and southern France.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Celsius
Abu Dhabi	sun	40
Accra	cloudy	28
Algiers	thund	25
Amsterdam	sun	21
Athens	fair	30
Atlanta	thund	28
B. Aires	fair	19
B.ham	cloudy	21
Bangkok	shower	35
Barcelona	shower	24
Beijing	fair	28
Belfast	cloudy	21
Belgrade	shower	20
Berlin	fair	21
Bermuda	fair	30
Bogota	sun	21
Bombay	cloudy	31
Brussels	fair	30
Budapest	shower	23
C.hagen	cloudy	18
Cairo	sun	34
Cape Town	fair	19
Caracas	fair	33
Cardiff	cloudy	21
Casablanca	fair	25
Chicago	fair	27
Cologne	fair	30
Dakar	fair	31
Dallas	fair	33
Delhi	fair	34
Dubai	sun	40
Dublin	fair	20
Dubrovnik	fair	23
Edinburgh	rain	20
Faro	fair	28
Frankfurt	sun	21
Geneva	fair	18
Gibraltar	shower	24
Glasgow	cloudy	20
Hamburg	fair	19
Helsinki	rain	18
Hong Kong	shower	32
Honolulu	shower	31
Istanbul	shower	26
Jakarta	sun	22
Jersey	fair	19
Karachi	fair	30
Kuwait	sun	44
L. Angeles	sun	26
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	sun	31
London	cloudy	21
Luxbourg	sun	18
Lyon	sun	22
Madeira	sun	25
Madrid	sun	25
Majorca	sun	27
Malta	sun	28
Manchester	cloudy	21
Manila	fair	32
Melbourne	shower	15
Mexico City	sun	21
Miami	fair	32
Milan	cloudy	22
Montreal	sun	24
Moscow	sun	25
Munich	fair	18
Nairobi	fair	26
Naples	shower	27
Nassau	fair	32
New York	sun	27
Nice	thund	24
Nicosia	sun	35
Oslo	sun	22
Paris	sun	22
Perth	shower	16
Prague	fair	20
Rangoon	rain	32
Reykjavik	shower	13
Rio	fair	28
Rome	fair	28
S. Frsco	fair	26
Seoul	fair	28
Singapore	shower	30
Stockholm	fair	21
Strasbourg	sun	21
Sydney	fair	18
Tangier	sun	28
Tel Aviv	fair	31
Tokyo	fair	32
Toronto	sun	27
Vancouver	shower	19
Venice	shower	24
Vienna	fair	21
Warsaw	fair	21
Washington	sun	31
Wellington	shower	12
Winnipeg	sun	21
Zurich	fair	19